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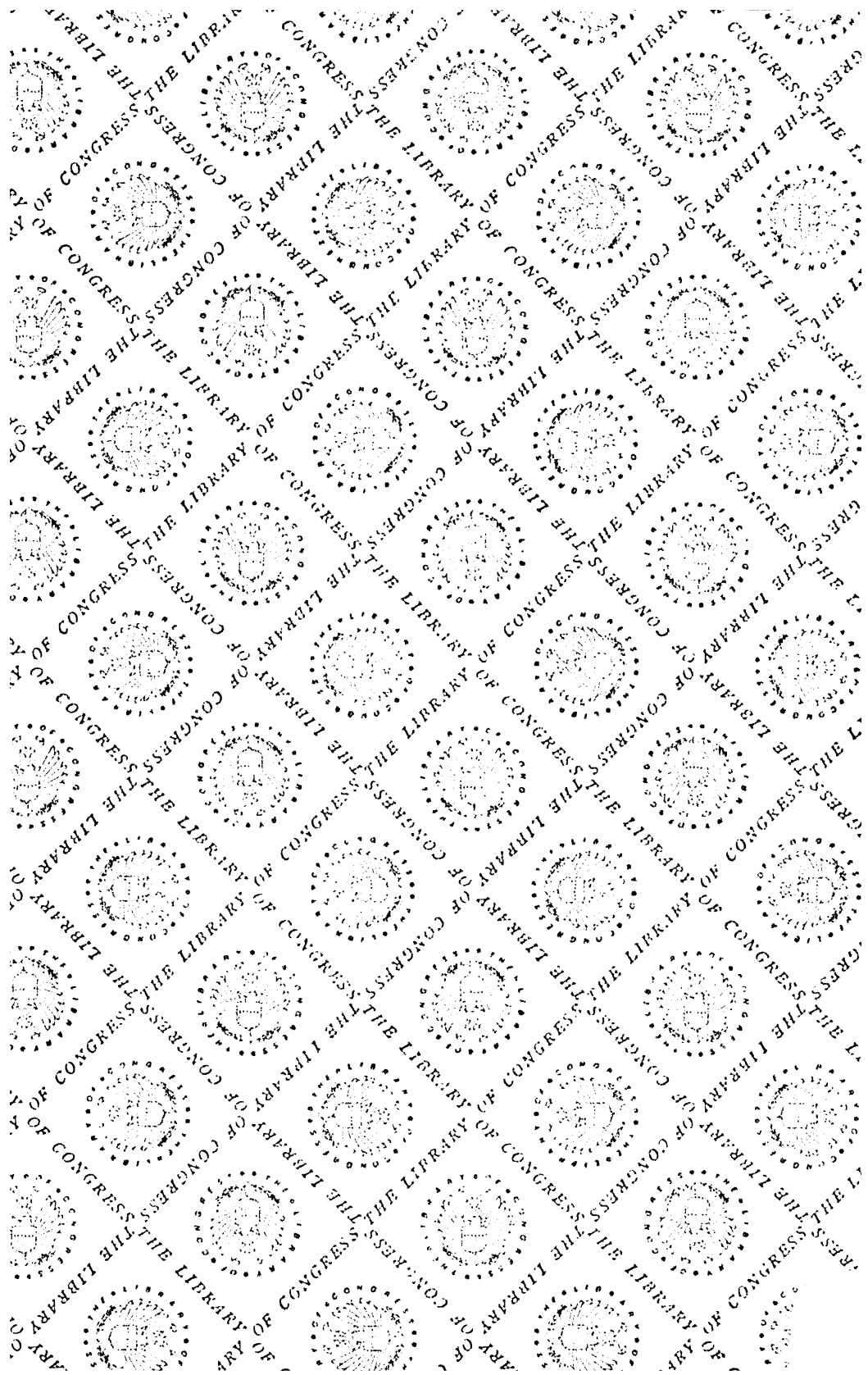
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# COTTON PURCHASE

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## HEARINGS

BEFORE THE

*U. S. Congress House.*

## COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES

SIXTY-THIRD CONGRESS

SECOND SESSION

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SEPTEMBER 21, 1914

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Printed for the use of the House Committee on  
Banking and Currency



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1915

HII 9076  
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1914c

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**HOUSE OF REPRESENTATIVES.**

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## COTTON PURCHASE.

COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*Monday, September 21, 1914.*

The committee this day met, Hon. Carter Glass (chairman), presiding.

The CHAIRMAN. The committee will come to order. Gentlemen, this meeting is had for the purpose of hearing representatives of farmers' unions in the South upon the conditions that are prevailing there and with a view to having them offer suggestions to the committee to relieve the situation. The Chair will be glad to have Mr. Barrett indicate the names of the speakers.

Mr. CHARLES S. BARRETT. Mr. Chairman, Mr. Henry will present the bill; Mr. H. S. Mobley, of Arkansas; Mr. T. J. Brooks, of Mississippi; Dr. H. Q. Alexander, of North Carolina, and Mr. A. F. Thomas, of Virginia, will talk in the order in which they are named.

Mr. Chairman, just one little correction, if you please. It is not only the Farmers' Union of the South, but of the entire country. We have representatives here from the North, the Middle West, and the extreme West.

The CHAIRMAN. We shall be glad to hear from Mr. Henry.

I want to suggest to the committee, as has been suggested to me by a member of the committee, that each gentleman who talks be permitted to conclude his general statement before there are any interruptions by questions.

### STATEMENT OF HON. ROBERT L. HENRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS.

Mr. HENRY. Mr. Chairman and gentlemen, I thank you for the suggestion that each speaker be allowed to finish his remarks before he is interrogated. I think we can get at the matter better in that way.

Mr. Chairman, at the outset, I wish to present a telegram from the governor of Texas, touching the cotton situation in that State. In my judgment the same condition obtains in all the cotton States of the South.

AUSTIN, TEX., *September 18, 1914.*

HON. R. L. HENRY, M. C.,  
*Washington, D. C.:*

Cotton conference passed resolution with only four dissenting votes in harmony with resolution adopted at El Paso, and with your efforts to secure currency to be loaned either direct or through banks at 3 per cent on guaranteed cotton warehouse receipts. I want to add my hearty indorsement of your

efforts. Situation is one beyond control of individuals. National banks absolutely not aiding cotton farmers with emergency currency. Unless National and State Governments can aid present situation, with enormous cotton crop coming on market in October, bankruptcy will overtake thousands of people in cotton-growing States. United States Treasury has often placed hundreds of millions of dollars of Government money in banks for their protection. Why can not this be done to save the farmer and the merchant in this emergency?

O. B. COLQUITT, *Governor of Texas.*

Gentlemen, that telegram does not overstate the case, but gives accurate information in regard to the situation in Texas and in the entire South. The conditions are simply deplorable and distressing there, and if something is not done by this Government within the next 60 days, bankruptcy will ensue and many men will be destroyed in a business way. I have an abundance of information from various parts of the great State of Texas verifying just what Gov. Colquitt has said. There are 248 counties in that State, and they will produce something like 4,500,000 bales of cotton this year. The testimony is piled high, every morning when my mail is received, confirming every single statement made by Gov. Colquitt. What we imperatively need in Texas and in the South in this crisis, brought on by the war in Europe, is an emergency currency that will go directly to the farmers. We need this emergency currency under some kind of temporary arrangement, so that the men who have produced this cotton crop may get the cash as promptly as possible.

Gentlemen, the Federal reserve act has been passed and is now a law. From my investigation of the situation in regard to the inauguration of that system, I am going to take it for granted that it will not be in execution within 60 days. I do not believe that the Federal reserve act will be in complete operation until the 1st of January, or later than such date. I have no sort of criticism to make of that act, and will do everything in my power as a Representative in Congress to strengthen it and see that it accomplishes everything its authors intended it should accomplish. Therefore, for the present I am going to assume that the Federal reserve act can not be made available to rescue the people of the Southern States from the ruin confronting them. And turning from that act to the Aldrich-Vreeland emergency law, I do not hesitate to say that such law will not serve the purpose. The emergency currency now being taken out by the national banks is not reaching the farmers. You may authorize the issuance of millions of dollars under the present conditions and it will not get directly to the farmers. Mr. Chairman, if you are to do anything you must promptly pass a temporary act in order to relieve the situation. The Federal reserve act being in abeyance for the present, not being fully organized, and the Aldrich-Vreeland Act proving to be utterly futile in this crisis, the Secretary of the Treasury and the Federal Reserve Board are powerless to come to our aid. Is there any way that this great Government can save our people from impending ruin?

The southern people are not coming as petitioners and beggars in this matter. They are presenting to you a question that is national, international, and world wide in its aspect. For when you strike down the cotton industry of the South you destroy a national and international product. You not only injure the South but every State in this Union and the balance of civilized mankind. The farmers of the South did not bring this condition upon themselves.

The terrible war conditions in Europe have brought it about. We all hope that those conditions will pass within the next few months and that our markets for cotton will be reopened and that the situation will be normal. And when the war is terminated and the market is reopened, then cotton can be purchased.

Last year nearly 9,000,000 bales of cotton were shipped to Europe; nearly 4,000,000 went to England; about 2,500,000, in round numbers, went to Germany; a little over 1,000,000 went to France, and a great many bales went to the other countries now drawn into the war. Our domestic consumption was something around 6,000,000 bales. But now there is an utter paralysis and there is no market for cotton. We appeal to you to view this as a national and international question. Is there any way to meet this emergency? This Government has met such emergencies before and can do it again. In 1907, when a great panic was about to sweep over us, the Government took its public deposits and in four days placed in the hands of J. Pierpont Morgan & Co. \$39,000,000. Mr. Morgan was not a director or an officer in a single bank or trust company. He took those funds and deposited them with his favorite bankers in order that they might be loaned to stock speculators, and, I may say without appearing to be harsh or without indulging in unjust criticism, to be loaned to stock gamblers in order to relieve the situation in Wall Street. These public funds, the Government's money, were deposited in those banks through the agency of Mr. Morgan, without interest, and were loaned to distressed stock speculators. The way out of the difficulty in the South is for the Government to do the same thing in regard to the cotton market.

Mr. Chairman, I introduced a bill, after conference with representatives of the farmers' organizations and other bodies that will relieve the situation. When this bill was introduced on the 31st day of August it was thought that the Federal reserve act would be in full operation by the 15th day of September and this bill was drawn so as not to interfere with the provisions of that act but to strengthen it. With permission of the committee I want to refer to *section 16* of that act in regard to note issues:

Federal reserve notes, to be issued at the discretion of the Federal Reserve Board, for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks, and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or in gold or lawful money at any Federal reserve bank. Such application—

#### Omitting one sentence—

shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application.

Mr. Chairman, under section 16, in connection with other provisions of the bill, hereafter the paper money of the Government to be issued shall be *Federal reserve notes*, and those Federal reserve notes can not be issued upon the initial movement of the Federal Reserve Board. That board is powerless to order the issuance of a single dollar in Federal reserve notes until a member bank through a Federal reserve bank, presents its commercial paper to the Federal

Reserve board. And then Federal reserve notes, United States money, can be issued as an *advance* to the owners of those notes. So in passing the reserve we have built a great market house for the commercial paper and assets of the business world. And the Government's money, United States notes or Federal reserve notes, can only be issued on that paper to care for financial situations. This is our permanent system. When national bank notes are finally retired that is the only kind of Government paper money that will be issued. But we can not avail ourselves of that law now because it is not in working order and I am sure will not be in time to relieve our people in the South. Then what is the remedy? Forgetting for the moment that we have in our statutes a Federal reserve act, and dismissing for the moment the Aldrich-Vreeland emergency law—because it has proved to be a snare and delusion in getting these issues of new currency to the farmers who need money—disregarding those two acts and coming squarely to the question: "What is there that Congress can do to remedy the situation in the cotton States?" I have redrafted my bill, disregarding for the present that such law has been passed. I can better state what is in my bill by reading two or three sections and then outlining to you the balance of the bill. Section 1 provides:

That the Secretary of the Treasury shall deposit in national banking associations and State banks situated in the following States, to wit, Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia, \$500,000,000, to be advanced to the producer of cotton or owner of lands upon which the same was produced, at a rate of interest not exceeding three per centum per annum. The deposits herein authorized shall be advanced upon the terms prescribed in this act. The deposits herein authorized shall be apportioned among the several States above mentioned in accordance with the number of bales of cotton produced therein during the year nineteen hundred and thirteen, as ascertained by the Department of Agriculture.

Here we provide for the deposit of public funds of this Government in the National and State banks as a trust fund, to be loaned directly to farmers who are faced with ruin during this war crisis. It is purely a great war emergency and not a permanent system. The Government has deposited its funds heretofore; it can increase them and can deposit them again if it will. It is not proposed to loan this public money directly without resorting to the fiscal agency of the Federal Government and State governments. This Government can make and establish by law as many depositaries as it deems proper, and if there should not be a bank in any cotton county in the South the Government can decree that its postmasters shall be custodians of these funds and make the post offices depositaries. So the first proposition is to deposit this money. Then the next question is: Where will we get the \$500,000,000? Section 2 provides:

That the Secretary of the Treasury shall immediately cause to be prepared United States notes to the extent of \$500,000,000, to be used for the purpose of making the deposits in compliance with this act. And said notes shall have all the legal qualities of the United States notes now outstanding, and shall be of such denominations as the Secretary of the Treasury may prescribe: *Provided*, That all United States notes deposited under this act and not used as prescribed herein shall be returned to the Secretary of the Treasury and shall be canceled.

So we resort to the issuance of United States notes by the Federal Government, the only sovereignty and agency that has the power,

and upon whom the duty rests, to supply the people with an adequate amount of currency in such crises as these. It does not provide for irredeemable paper money; it provides for redeemable currency, and endows these notes with all the legal qualities possessed by the United States notes issued during the war; that is to say, they shall be legal tender, they shall be redeemable in gold, in view of the fact that we are now upon a gold basis. They will be as good as any other paper money of the Government now in circulation. In my judgment it would not jeopardize the credit of this great Government one particle to use its power and issue \$500,000,000 in emergency United States notes. I do not believe it would hurt the credit of this Government if we issued a billion dollars in United States notes and made them redeemable in gold.

Mr. Chairman and gentlemen of the committee, what ought to be done is to stop the issuance of emergency currency under that temporary system, the Aldrich-Vreeland Act; put a brake upon their operations, and say, "You shall not issue any more of it, because it is not going directly to the people in distress." We should say, "We will travel another road." After refusing to allow the banks to go further and secure additional emergency currency under the Aldrich-Vreeland Act, we will resume the function that this Government undeniably has and issue United States money and deposit it as a trust fund in this terrible crisis, so that it may go directly to the men who have produced the cotton crop of the world, for this product clothes the people in all civilized countries. Is there anything undemocratic, is there anything un-American in that? We have done it before. And for my part, I think that it was a matter of financial wisdom when the greenbacks were issued during the early sixties to carry on the war and sustain the Government. And I think every word written in the legal-tender decisions was absolutely correct and in strict accord with the Constitution of the United States. There is the proposition and there is the source of power for getting the money. Then what is the next step? Loan this money, "*advance*" it—using the word that is used in section 16 of the Federal reserve act—to the men whose necessities you are undertaking to relieve, and here is the way we will do it:

Whenever any producer of cotton, or owner of lands upon which the same was produced, shall present to the National Banking Association, or State bank within which State the said bank may be situated, a bill of sale in writing to cotton in bales grown in nineteen hundred and fourteen, in such form as may be prescribed by the Secretary of the Treasury, said bill of sale to be signed and sworn to by the producer or person upon whose land the same was produced, giving the number, mark, weight, classification, and location of said cotton, it shall be the duty of said banks to advance a part of said deposits on said cotton at the rate of 10 cents per pound for middling cotton and other grades at the prices, off and on, according to the established differences in prices based on middling cotton at 10 cents per pound.

Now, gentlemen, we propose to issue the Government's money and to advance it to our farmers of the South, just as we advance the Federal reserve notes to the commercial interests of every State in this Union, on their commercial paper and assets when they are seeking a market and wish to find relief in securing currency from the Government. We do not ask one whit more than is done in the Federal reserve act and has been done before. We have placed the

price at 10 cents per pound. Why do we say 10 cents per pound? Because during the last five years cotton has brought, on an average, more than 12 cents a pound. It is worth the 10 cents a pound and cost that much to raise it. In my own State we had to replant two or three times. So we have put it at 10 cents per pound, which would mean \$50 per bale. But if you think that figure too high—if you are willing to advance money to relieve the situation and will make it absolutely possible for any farmer to walk up to the bank and secure \$35 a bale as a loan from the Government—we might leave out 10 cents a pound. It would relieve the situation and perhaps might not be necessary to pay 10 cents a pound. We ought to loan or advance cotton growers the 10 cents a pound on cotton.

That is the next proposition. But if you leave it with the banks where this emergency currency is now going it will never, never reach the men who need it. Many banks in Texas and other States of the South are getting this currency and speculating with it; they are hoarding it and shipping it back to New York and money centers, and the men who need it most are not receiving it. And this is no gratuitous statement on my part. I want to here ratify and confirm these things by cold evidence from my section, now blighted by this terrible paralysis in the cotton market. I read you part of a letter from Judge W. H. McClelland, county judge of Upshur County:

Upshur County will produce this year about 30,000 bales of cotton. Up to this date I understand that four bales have been marketed in this county at 8 cents per pound. Farmers are unable to get money for their cotton and are forced to keep it on their farms as long as their creditors will permit.

Then they met in a great mass convention in that county and passed resolutions. This convention was composed of men who do not want to injure this Government, but who are patriotic and are seeking a way to solve the difficulties confronting them.

And here is one of their resolutions:

We desire to present the convention—

That is to the great State convention held at Austin subsequently—that in this, Upshur County, we have two national banks and nine State banks. Only one of the State banks under the amended Aldrich-Vreeland Act will be entitled to emergency currency, because of the amount of capitalization of State banks. None of the banks in this county will be able to furnish to the individual farmer emergency currency on warehouse receipts for cotton stored in warehouse. The individual farmer and producer will be unable to hold his crop, because he is forced to pay his merchant, and unless some relief is given promptly 30,000 bales of Upshur County's crop must be sacrificed.

And I want to add further the information from by congressional district that tenants—and, by the way, three-fourths of the cotton crop in Texas is produced by tenants—have abandoned their own crops; have walked out of their fields and have gone to their neighbors' cotton fields to pick cotton, in order that they might secure cash to buy meat and bread for their wives and children and clothing for the winter which shortly will come. That is the condition as I get it from every county practically in my congressional district, and I am quite sure that you will find it to be the situation in other parts of Texas and the South.

Then here is a letter from a gentleman whom I happen to know. This is from Mr. W. B. Yeary, of Farmersville, in Collin County, one of the great counties in Texas. He says:

My home is in Farmersville, in Collin County. I have a farm of 1,000 acres and 75 shares in the Farmers' & Merchants' National Bank of that place. I have been a close student of conditions all my life; am 54 years old, and this is the most serious condition that I have ever seen, but offers the best opportunity for correcting the evils we have in marketing farm products I have ever seen if it is handled right.

*To show you the strained condition, I can not borrow a dollar on bank stock, cotton, real estate, or anything else. I may have to suspend publishing the paper because of this condition.*

He publishes a cotton journal in Dallas.

Here is a letter from out in the western part of the State, from W. R. Timmons, chairman of the finance committee of the Roby Warehouse Association. Speaking of loans on cotton, he says this must be done—

for the reason that the national banks, notwithstanding the fact that they can secure emergency currency under the Aldrich-Vreeland law, are not assisting the farmers to get the money on their cotton.

The situation is desperate, and you can only imagine the conditions existing when the farmers are not able even to get the money to pay for the picking of the cotton. *The thing that the farmers need is money on their warehouse receipts.*

Not credit; they need cash, and they must have it now.

Here is a letter from a gentleman in my district. I happen to know him, and do not think it would be inappropriate or out of place for me to say that in normal times this gentleman is worth several hundred thousand dollars. He is a merchant and cotton buyer and farmer. He is from Moody, a little town in the heart of as fine a cotton country, I believe, as there is in the State of Texas. He says:

*The banks in this section are not lending one cent on cotton, and under present plans will not lend any.*

That is from Mr. Charles Howard, a reputable gentleman, and one who purchases many bales of cotton every year.

Then here is a letter from Ben Arnold, a town in a rich cotton country in Milan County; it is from Hon. Ike Looney, an ex-member of the legislature, and a farmer on a large scale. He says:

The banks are not letting any money out for less than 10 per cent, with the usual discount. *In fact, the banks are doing all in their power to force the farmer to part with his cotton.* They get the money for 2 per cent, and we are forced to pay more than 10.

Here is a letter from Wills Point, Tex., several hundred miles away from Milan County. This letter is from Mr. Young's district, and I am picking these out of my mail of this morning, in a haphazard way, in order to lay them before you gentlemen. This gentleman is Mr. J. J. Gibbard. He says:

It has been made very clear to the people of Texas that they can not depend on the banks, or efforts of the Federal Government through the banks, to relieve such business depression as now exists. Permanent help must come from aid by the Federal Government direct to the farmers, and no effort through the banks will prove effective for the simple reason that in time of panic the banks are the first to lose their nerve and contract rather than expand, thus increasing the condition.

And here is a statement that comes from the city of Fort Worth. I happen to know this gentleman, John M. Scott, Esq., one of the prominent lawyers of that city. He sends an advertisement where one of the banks offers to loan on 1,000 bales of cotton, with certain restrictions, at 6 per cent interest, and then he goes on to explain what that means, and I think just a few lines of the letter should go into the record. He says:

It loans it to the grower at 6 per cent, for advertising purposes, on 1,000 bales and at 10 per cent on all over 1,000 bales. Country banks are paying the local banks here 6 and 8 per cent for this money and loaning it to the grower for anything his necessities may require him to pay for it.

Under the ruling of the Secretary of the Treasury this bank can take this 1,000 bales which it has secured by loaning \$30,000 on 1,000 bales of cotton and borrow from the Government \$37,500 at 3 per cent, thereby reimbursing itself for its \$30,000 and getting a surplus of \$7,500, and making a profit of 100 per cent on the transaction in its 6 per cent interest which it is getting from the farmer.

It occurs to me that there is an open field for you to come to the rescue of the cotton grower of this State, in at least attempting to have the Government limit the profits which these banks may make to 1 per cent for handling this money between the Government and the grower.

There are hundreds of letters of that sort, and to my mind they establish the proposition beyond any controversy that this money is not getting to the farmers, the men who need it and those who produce this crop, and that it will not reach that class of our citizens as long as the banks have the option of handling this trust fund—the people's money—as they see proper, and not in accordance with legal restrictions laid down by Congress by and through which they shall distribute this Government money amongst the cotton farmers.

I am only discussing general principles here. If this bill is not properly drawn, you gentlemen can help us to draw one that will recognize the absolute right of the producer of cotton to go to some agency set up by the Federal Government and put up his security—his cotton—and borrow money; have it advanced to him as a direct loan, if you choose, at a low rate of interest.

Do not imagine that we are thinking of any kind of a permanent arrangement, and remember that our contention now is that you can not utilize the banks under the laws as they stand and get this loan directly to the producers of cotton.

Gentlemen, there is other evidence in regard to those facts if you want it.

Then, section 4 of the bill provides:

That thereupon title to said cotton shall pass to and be vested in the national banking association or State bank making the advances; the said bank receiving such deposits shall pay the same over to the producer or person on whose land the same was produced, and shall thenceforward hold said cotton as custodian, with the right and power to appoint as many deputy custodians with actual possession as said custodian may deem proper and necessary; and among said deputy custodians may be included the producers of said cotton or owners of the land on which the same was produced; said custodians to take in all cases from the deputy custodian a forthcoming bond and an acknowledgment in writing of the fact that said deputy custodian holds the same as custodian of public property, with the common law liabilities of warehousemen.

The bank acting as custodian shall keep all cotton so held insured against loss by fire; loss, if any, payable to the said national banking association or the State bank, and shall keep a correct and itemized account of insurance and storage actually paid; and upon the sale of said cotton, as hereinafter



provided, shall have said expenditures refunded, together with interest on the same at the rate of 6 per centum per annum. Payments of insurance and storage are to stand until paid in the nature of an obligation of the United States.

When said cotton is sold as hereinafter provided said bank shall, in addition to the refunding just provided for, be paid for its labor and services as custodian 50 cents per bale, and as custodian shall be responsible only for gross negligence or breach of trust.

All cotton upon which advances have been made as hereinafter provided with such deposits, shall be and remain the property of said bank until sold at the pleasure of the Secretary of the Treasury, when and after middling spot cotton sells in the open market at Savannah, Georgia, at 12 cents per pound, or upon request of the person or persons from whom title passed to the national banking association or State bank.

So there is your method for loaning on cotton and protecting it and holding it in the grasp of the Government until this crisis is over. We think that cotton will go above 12 cents a pound when this war is over. We know that the Government will not lose a single penny if it utilizes its public funds and its power to advance this money to the cotton growers—just as it will hereafter advance it to the commercial interests upon their assets to relieve their business necessities.

Then section 5 reads:

That whenever the said bank, under the conditions named in the foregoing section, shall sell said cotton, interest shall be calculated on the original sums advanced by the bank at the rate of three per centum per annum, and principal and interest shall be remitted to the Secretary of the Treasury.

The custodian shall prepare, under oath, and furnish the Secretary of the Treasury an account showing the amounts actually paid for insurance and storage and interest thereon, as hereinbefore provided, and also showing its compensation as herein allowed. These items the custodian shall retain to pay itself, and the balance of the proceeds arising from the sale of said cotton shall be paid over to the producer, or person on whose land the same was produced and from whom title passed to the said bank, or to the legal representative of such person receiving such loan.

SEC. 6. That this act shall take effect and be in force upon its passage.

SEC. 7. That this act shall expire by limitation on the thirtieth day of June, nineteen hundred and sixteen.

Gentlemen, the principle of that bill is correct. There may be details that can be improved, but you can if you will put it into operation; and there will be no criticism from any part of this country, except from those who have been used to handling the money and monopolizing the money market. It is not their money; it is the Government's money; it is the people's money that we propose to use—and that the money monopolists propose to use hereafter when they ask for currency.

I take it that it is settled that hereafter no State bank—and this is only my individual view, because there are other gentlemen who do not entertain this view—will be authorized to issue its notes to circulate as money; and I assume that the 10 per cent tax laid on State-bank circulation is permanent and will remain there under our system of government.

So in our system of finance we have taken away from the sovereign States of this Union the power to create banks and corporations that can issue circulating notes. That is the first step.

In the second place we have taken away from the national banks, that were set up under the system established during the Civil War and subsequent to it, the power to issue their notes. We have said

that no State and no corporation created under any State law shall hereafter issue notes, and we have said in the Federal reserve act that no national-banking association, when certain terms of that law have been complied with, shall issue its notes to circulate as money.

We have resumed the function intended that this Government should exercise when the Constitution was written in 1789; that is to say, that the Federal Government is the sovereignty and the power that should coin money and regulate the value thereof and should issue, as the legal-tender cases decided, the paper money to circulate as currency.

We have now arrived at that point where this Government is the only agency that issues money. As far as I am concerned, I am not prepared to say that it is not a wise policy. But I shall not go into a discussion of state bank issues. I am only recounting the things that have been done, and the status to which we have come in regard to our monetary affairs.

So, that being the case, that no other power can issue money, then it becomes the duty of this Government to provide not only a permanent currency system, but to provide an adequate amount of currency to serve the needs of the people in just such a crisis as this.

I know where this proposition leads; and have deliberately counted all its consequences. But I have convinced myself, and think from an unselfish point of view, that this Government is as much in duty bound to look out for the distressed population of one-third of this country, occupying one-third of our area, and producing the great gold product sent abroad—that Congress is as much in duty bound to regard their interests in these crises as was done in 1907, when the Secretary of the Treasury deposited funds and took care of stock speculators, and as it has provided to do in the Federal reserve act.

Am I violating any Democratic doctrine? Am I doing violence to any tradition of our Government or principle of the framers of the Constitution? We have done these things before. And I will allude to one or two of them, and then will have finished my remarks.

Why, Mr. Chairman and gentlemen, you well remember that when we passed the irrigation act in order to protect the people of 15 western States, we provided that we would take the proceeds of the sale of public lands in certain States and construct great irrigation plants there with that money, for the benefit of the people of the West, and that we would allow them to make their notes in regard to the use of the water, and we put up the people's money in order that they might purchase farms and develop them by and through the help of the Government of the United States.

And only recently we passed a bill remitting all interest on, I think, something like \$80,000,000, because those people were distressed and could not pay it. And I doubt if the time ever comes when that money will be refunded to the people and returned to the Treasury of the United States.

What is the difference in principle between this and that? We came to the rescue of the people who lived in a barren part of this country. We extended the strong arm of governmental aid in a financial way, and we made it possible for them to purchase, cultivate, and develop their farms.

To-day we are asking you to help us preserve in the South what we have produced on our farms, and there is no difference in principle; one is developing farms, the other conserving crops. Why, gentlemen, in 1890 we passed the act in regard to purchasing silver, 4,500,000 ounces of it every month, and authorized the coinage of 2,000,000 ounces during any month and no more. And how did we pay for it? And why was the act passed?

With your leave, I will read just a few lines of that act so that we may clearly make the point.

That the Secretary of the Treasury is hereby directed to purchase from time to time silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding \$1 for three hundred and seventy-one and twenty-five one-hundredths grains of pure silver; and to issue in payment for such purchases of silver bullion Treasury notes of the United States, to be prepared by the Secretary of the Treasury in such form and of such denominations, not less than \$1 nor more than \$1,000, as he may determine.

Sec. 2. That the Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand in coin at the Treasury of the United States, or at the office of any assistant treasurer of the United States, and when so redeemed may be reissued and may be paid out again; but no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom then held in the Treasury purchased by such notes.

I will omit one or two sentences, and then read:

That upon demand of any holder of the Treasury notes herein provided for, the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver, at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other on the present legal ratio, or such ratio as may be provided.

That act was passed; and if you will examine the debates you will find the reason; it was enacted because times were hard. A terrible panic was sweeping over the mining States of the West; and Congress decided that it would go to the relief of the people of that section of the United States and purchase silver bullion, a mere commodity like cotton, and would keep the mines open and prevent men from being thrown into idleness; and would keep business going in the western part of this country by issuing the Government's money to pay them for this silver bullion—which is a mere commodity.

We are on the gold standard now; and so far as silver is concerned for monetary purposes, it might as well be paper, and would serve the same purpose, except, perhaps, that it may be a little more convenient in some instances to use silver.

But, not only did we do that. Recently, over in the Senate, a bill passed without division, as I understand it, by which the Government would purchase 50 per cent of the output of the silver mines in the West and pay for it with Government money—with the people's funds—simply and solely to keep those mines open and prevent our western brethren working there from being thrown into idleness, and that hereafter there would be an increase in the output of gold, which is a by-product in the mining of silver, and so that water might not run into the mines, and thus they might be kept in commission.

And there is the same principle invoked in the Senate of the United States.

Gentlemen, I think that makes the point in regard to this situation. This Government has the power to issue these notes. Read the Legal Tender decisions, the latest one in 110 United States Reports; and no living man can answer the arguments found there, *that this Government has unlimited power to issue currency*; and that being conceded, that we have the power to issue it, then we may advance our currency to cotton growers, just as we are going to advance it hereafter, through the Federal reserve system, to the owners of commercial paper and assets.

That is the proposition. I know that gentlemen will say that this is populism, and amounts almost to anarchy in our financial system. Already I have been met with that answer. But I maintain that this Government was set up for the benefit and protection of the people. Sirs, in a crisis like this I have crossed the Rubicon; I have burned my bridges, and am ready *to fight for the principle that this Government shall issue its currency and preserve the progress and prosperity of the southern people.* [Applause.]

I am ready to defend this principle everywhere. We are not coming to beg Congress. This is the Government of all the people in this Union. We are coming to the only power that can give relief. We are saying to you gentlemen, as we expect to say to the Federal Reserve Board, the Secretary of the Treasury, and the President of the United States, that the arm of your Federal Reserve System is too short to save us now, and that the arm of the Aldrich-Vreeland Act has been seized by certain national bankers and those who would despoil the people in this hour of their need in the South, and they are withholding the relief that the Secretary of the Treasury and the President wish to go directly to the men who produce the wealth of the country. And I lay it down as an incontrovertible principle that if the Government, through the Aldrich-Vreeland Act, can deposit currency to be loaned to whomsoever the banks may choose to loan it, by the same principle it can deposit its currency in these banks as a trust fund and require that it be loaned to cotton growers.

Gentlemen, thanking you for your patient hearing, and I am done. [Applause.]

The CHAIRMAN. Does any member of the committee desire to ask any question?

Mr. BULKLEY. Mr. Henry, does your bill provide that 10 cents shall be loaned on cotton?

Mr. HENRY. Ten cents a pound.

Mr. BULKLEY. And that it shall be held until the market price of cotton is 12 cents?

Mr. HENRY. Yes.

Mr. BULKLEY. What is the number of that bill?

Mr. HENRY. You will remember that my first bill is drawn with reference to the Federal reserve system.

Mr. LINDBERGH. What is the number of the bill?

Mr. HENRY. It is H. R. 18605. But I have abandoned the details of that bill because it is drawn with reference to the Federal reserve system, and I have no hope that the Federal reserve system will be in workable condition until the crisis has practically destroyed the cotton producers of the South.

Mr. BULKLEY. Well, now, Mr. Henry, I read on page 3 of this bill that you have just handed me; that the money shall be loaned at the rate of 12 cents per pound.

Mr. HENRY. I have changed that to 10 cents in this new bill and have done so for this reason: While cotton has been over 12 cents a pound, you understand, for the last five years, I changed it because we are willing to take 10 cents a pound. If you will write this principle into the law—and I am answering for myself and not for these other gentlemen—and make it possible for us to get a loan of \$35 a bale on our cotton, we will be perfectly satisfied, whether you say it shall be so much a pound or what not, if you say we can have a loan of \$35 a bale and make it available in the banks for us to go and get it immediately on this security.

Mr. BULKLEY. That would cut in half the amount named in this bill?

Mr. HENRY. Yes, almost.

Mr. LINDBERGH. It would be about 6 cents a pound.

Mr. HENRY. Yes; if you will make it certain that we can walk into a bank and get our money, and do it immediately, we will be willing to accept that; because as conditions are we can not even pick our cotton in many places. But we have not got the cash to pay for anything; and it is cash we most need.

Mr. BULKLEY. You say this is substantially the same arrangement as the Federal reserve notes; that you ask the same privilege as that given to the banks under the Federal reserve act; is that the idea?

Mr. HENRY. Yes; that is the idea.

Mr. BULKLEY. I have not read this bill, which you have handed me, but what provision is there in it about the borrowers providing a redemption fund?

Mr. HENRY. I expected to be met with that proposition. We could take the funds arising from the cotton when it is sold, and arrange by proper legislation to make it a redemption fund.

Mr. BULKLEY. Well, under your bill is there any redemption fund put up when the notes are issued?

Mr. HENRY. Well, I am assuming that under this system, as I have redrafted it, these notes will be redeemed by the Secretary of the Treasury as the law now exists.

Mr. BULKLEY. Redeemed in what?

Mr. HENRY. In gold. That we will be operating under the gold standard; and there is a provision for the Secretary of the Treasury to replenish the gold reserve whenever it runs below a certain amount. Section 2 of the act of 1900. I am willing for the Secretary to sell bonds to get the gold to redeem these notes, if you insist upon it. You may write that clause to suit yourselves.

Mr. BULKLEY. But does the Secretary of the Treasury have any right to call upon these borrowers under your bill to put up the gold?

Mr. HENRY. On the borrowers?

Mr. BULKLEY. Yes; for redemption purposes.

Mr. HENRY. Oh, no; but whenever one of these notes is presented at the Treasury, in the same way as a Treasury note, it can be redeemed in gold; and, if the law is not sufficient to provide that, you can make it broad enough to replenish the gold reserve.

Mr. BULKLEY. Well, is it not a fact, then, that you are asking something quite different from what the Federal reserve banks get, because the Federal reserve banks will be required to put up 40 per cent gold reserve, and to replenish that from time to time as the notes are redeemed?

Mr. HENRY. Well, in section 16 of the Federal-reserve act, you will remember, the Federal-reserve notes are made the obligations of the Government and redeemable in gold at Washington City, D. C., by the Government.

Mr. BULKLEY. Yes; but we are talking about the redemption fund which the borrowers have to put up.

Mr. HENRY. Well, we will not quibble about that. If you think it would not be safe just to fling out among the people \$500,000,000 United States notes such as I have provided for, without broadening your gold-reserve act, I am perfectly willing to do that with appropriate legislation, to become immediately operative.

Mr. BULKLEY. Yes; but you do not want the borrowers to put up anything, do you?

Mr. HENRY. I do not want the borrowers to put up anything except the cotton when they borrow the money; and they can take that cotton and go to the markets of the world and purchase gold with it, and the notes can be paid off when the time comes.

Mr. BULKLEY. Of course, when the time comes; but they can not do it now.

Mr. HENRY. They can not do it now; of course not, except under the gold-reserve law.

Mr. BULKLEY. Well, the time for redemption is now, on demand notes.

Mr. HENRY. Well, I would not make it now.

Mr. BULKLEY. How soon would you redeem them?

Mr. HENRY. I would redeem them when the cotton is sold.

Mr. BULKLEY. Would you write that on the face of the notes?

Mr. HENRY. Oh, no. Let me explain it. The "United States notes" have no provision written on their face that they are to be redeemed anywhere or in any manner, and yet \$346,000,000 of them survived through the war; and every time the banks have tried to destroy them and repeal the law authorizing them and for their redemption, they have been overwhelmed in their fight before the people—and they will be. The greenbacks, which did not provide any place of redemption or any method of redemption, are considered the best money we have in the country.

Mr. BULKLEY. Well, you remember the embarrassment about them in 1893?

Mr. HENRY. I remember the embarrassment in 1893; but they are good now.

Mr. BULKLEY. How much gold have they behind them?

Mr. HENRY. They have \$150,000,000 of gold behind them; but we would have cotton behind these notes, which is just as good as gold. and besides the cotton we would have the gold reserve now established or to be enlarged by law if you wish.

Mr. Bulkley, if you gentlemen are willing to advance this money; if you will concede that proposition, I will vote to amend your gold-reserve act and increase the amount of it to \$300,000,000 and sell bonds in order to redeem the United States notes.

Mr. BULKLEY. Well, I would like to see these people get relief, but I do not see any way to put out currency that has to pass as money throughout the whole United States that is not redeemable immediately, and where we can not see the means of redeeming it.

Mr. HENRY. Do you not think it was wise to put the greenbacks out during the war?

Mr. BULKLEY. Well, the greenbacks were not very readily redeemable during the war.

Mr. HENRY. Well, do you not think their issue was wise and justifiable?

Mr. BULKLEY. Well, that was under the stress of war.

Mr. HENRY. This is worse than the stress of war. And we saved those greenbacks by redeeming them, and if you will vote for this measure we will vote to put up 50 cents of gold behind every dollar of paper money that is issued.

Mr. BULKLEY. Where are you going to get that 50 cents to put behind the paper money?

Mr. HENRY. We can sell bonds, if you insist on it. I would not do that; I would wait until the cotton was sold. And let the notes rest on the present gold reserve.

Mr. BULKLEY. Well, when the notes are presented for redemption, you can not wait until the cotton is sold.

Mr. HENRY. Do you think they would be presented for redemption the next day? I think the present gold reserve is enough for their redemption.

Mr. BULKLEY. Well, how soon do you think they would be presented for redemption?

Mr. HENRY. I think they would come into the Treasury in the usual course.

Mr. BULKLEY. How long would that be?

Mr. HENRY. I can not know any more than you do about that. How often do the greenbacks come in for redemption?

Mr. BULKLEY. The whole amount every year.

Mr. HENRY. Well, then, let us consider this: When this war is over in Europe, as I believe it will be in three months, I do not believe we can fill the orders for all our cotton; I believe we can sell our cotton at above 12 cents a pound; and we will sell it for gold. There is no trouble about getting gold behind the notes, if you wish to help.

The CHAIRMAN. Lord Kitchner says the war will last three years.

Mr. HENRY. Then, I would help these people if it lasted 30 years; I would find a way to do it. The effects of the Civil War are not over yet. I would find a way to issue the currency and make it redeemable in gold, if we must have the gold reserve.

The CHAIRMAN. Mr. Henry, what reason have you to conjecture that the banks would exhibit any less cupidity and avarice in issuing the currency that your bill provides than you say they have exhibited in issuing this emergency currency under the Aldrich-Vreeland law?

Mr. HENRY. The banks would not be responsible for this money at all, except as custodians. I would not have them indorse the loans at all; and I would simply utilize them as patriotic agents of the Government—Federal and State banks.

The CHAIRMAN. Suppose they would decline to receive the funds for that purpose?

Mr. HENRY. Then, if they declined to receive the funds, I would deposit these United States notes in State banks and postal banks.

Mr. RAGSDALE (interposing). I do not think they would even consider declining.

Mr. HENRY. Well, that is fair; let us go to the last analysis of it. I am glad you asked the question, Mr. Chairman. If they are not willing to take 50 cents a bale for handling the matter, which would give them \$5,000 for handling 10,000 bales, then I would deposit these United States notes in the post offices of the Southern States; and would put funds enough back of it to put the law into operation, so as to get this money into the hands of the producers.

The CHAIRMAN. Do you provide any such method of distribution in the bill?

Mr. HENRY. I provide only that where there is no bank in a certain place that can be done; that is a matter of detail.

The CHAIRMAN. Do you provide a penalty upon the banks for not engaging in this operation?

Mr. HENRY. I do not. I assume that they will be patriotic enough to do it; but if they are not, and I had my way about it, I would take away their charters as soon as possible under the Constitution of the United States.

The CHAIRMAN. Do you provide that as a penalty in your bill?

Mr. HENRY. I do not, because I do not think it would be necessary.

The CHAIRMAN. Why do you think they would be any more patriotic under your system than under the prevailing system?

Mr. HENRY. Because when they understand that this Government has charged them with a sacred and solemn duty like that they will carry it out, because they are nothing but the mere creatures of this Government, and if they do not do it I would take the charter away from any national bank in the United States that refused.

Mr. EAGLE. If I may interpolate, Mr. Henry, I will say, also, because under the Aldrich-Vreeland Act and the Federal reserve act every national bank has a financial responsibility with reference to the putting out of either form of currency; whereas under the proposition you make they have only the relation of a trustee to do the thing they are asked by the Government to do.

Mr. HENRY. Yes.

Mr. RAGSDALE. And for the further reason that the distribution of these funds by the banks would enable the banks to collect from the farmers who owe them the sums of money due them, and enable them to settle their rediscounts from New York; and it would be to their interest to distribute them; and the banks always do what it is to their interest to do.

The CHAIRMAN. It might not have that effect; it might result in the banks owing more money.

Mr. HENRY. Then, if you believe that about these gentlemen to whom we have been so good, when we have practically mortgaged the credit of the United States to them, as far as the issue of money is concerned; when we have put up as a pledge with the national banks of the United States the sovereign function of issuing money; when we have laid in their hands this credit of the United States—if they will not carry out this patriotic purpose when we have done all



that, then we ought to repeal the act and say to them, "You shall not utilize the credit of the United States in order to carry on your banking and commercial business."

The CHAIRMAN. Please understand that I do not say that that would be the case. But you say that they are not patriotic enough to loan the money under existing law; and I wanted to know why you thought that your bill would transform men who are avaricious into patriots?

Mr. HENRY. Just for the reason I have stated; and I do know that they are hoarding this currency now, and do know that they are not loaning it on cotton. You can not get \$10 a bale on cotton in Texas, Mr. Chairman; they will not advance you that amount; and yet the "buy-a-bale" movement is helping a little bit.

The CHAIRMAN. I want to relieve the cotton planter and the tobacco grower, especially in Virginia, as much as you, the difference between us being that you say they can not get \$10 a bale under existing law, and I do not think they could get \$1 a bale under your proposition.

Mr. HENRY. Well, I can not understand how you can say that, Mr. Chairman. If the banks will not take this money as trustees and distribute it to the people of the South, then I would distribute it through the postmasters; and if they could not do it, then I would distribute it through the United States marshals and appoint enough deputy marshals to do it and take the securities.

The CHAIRMAN. Are you serious about that?

Mr. HENRY. Yes; I certainly am serious about it, and it can be done. Do we not deposit our funds in the postal savings banks for certain purposes? Can not we deposit with the postmasters and give them jurisdiction?

Mr. HAYES. You do not give them discretion and jurisdiction to loan the postal funds out?

Mr. HENRY. This would not be loaning those funds; it would be the Federal Government loaning them. Do you not think that we could establish an agency that could distribute it if we issued the \$500,000 of notes?

The CHAIRMAN. How soon could the Government provide the force necessary to operate this plan throughout the country?

Mr. HENRY. Just as soon as we could put the internal-revenue collectors at work on this war tax.

Mr. RAGSDALE. Do you not think that as soon as the United States Government would do this, cotton would advance at least 3 cents a pound?

Mr. HENRY. Yes; and I will add this: You once let the Government say that it is possible for the cotton farmer to get \$30 a bale at the bank, and cotton will go up. And then what will happen? When it goes up the Government will not have to advance, perhaps, \$100,000,000 of these notes; because the spinners will get busy and buy; and individuals will buy; and the representatives of some of our European friends will hasten to buy.

Mr. HAYES. May I ask you a question, Mr. Henry?

Mr. HENRY. Certainly.

Mr. HAYES. If I understood you correctly, you stated that the Federal reserve act passed last December provided for lending money

to the commercial interests of the country in order to help those who are desirous of trying to find a market for their products?

Mr. HENRY. Yes.

Mr. HAYES. Where do you find any such provision as that in the Federal reserve act?

Mr. HENRY. In section 16.

Mr. HAYES. That provides nothing of the sort.

Mr. HENRY. If it does not I do not know anything about the English language.

Mr. HAYES. That was only for issuing currency on the credit, or on the security of commercial paper.

Mr. HENRY. Yes.

Mr. HAYES. And that is quite a different proposition.

Mr. HENRY. Here is section 16; I will read it.

The CHAIRMAN. Mr. Henry, I do not exactly get the logic of your statement.

Mr. HENRY. Let me answer Mr. Hayes's question, Mr. Chairman.

The CHAIRMAN. All right; certainly.

Mr. HENRY (reading):

The Federal reserve agents as hereinafter set forth, and for no other purpose, are hereby authorized to make advances to Federal reserve banks—

Mr. HAYES. Certainly.

Mr. HENRY. "Advances." What is that but a loan?

Mr. HAYES. All right; go ahead.

Mr. HENRY (reading):

The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks, and for all taxes, customs, and other public dues.

Mr. HAYES. All right; but for what purpose? Please read that in connection with the rest of the act.

Mr. HENRY (reading):

For the purpose of making advances to Federal reserve banks and for no other purpose.

Mr. HAYES. I know; but for what purpose to Federal reserve banks?

Mr. HENRY. To Federal reserve banks, in order that they may take up commercial paper and assets and loan money on them.

The CHAIRMAN. But upon what conditions? That the Federal reserve bank will furnish 40 per cent gold reserve.

Mr. HENRY. Yes; but where you require them to furnish 40 per cent gold reserve you say that these notes "shall be redeemable at Washington City by the Government of the United States." It does not make any difference about that security; I would not care a picayune for them. *As long as you say that those Federal reserve notes shall be redeemed at Washington City in gold by the United States Government, I do not want any better security for any of them.*

Mr. HAYES. But let me suggest to you that you overlook one very important point, that in the case of the Federal reserve notes the Federal Government has a fund in these banks upon which it can draw immediately for the redemption of them.

Mr. HENRY. I understand all of that. But all that system is utilized and thrown together in order that these Federal reserve

notes may be issued for the benefit of the holders of commercial paper; that is the reason for it, and the public funds put at the disposal of banks.

Mr. HAYES. Yes.

The CHAIRMAN. And agriculture.

Mr. HENRY. And agriculture; yes. And let me make this proposition: Now, what is your commercial paper under the Aldrich-Vreeland Act? It is paper due in four months and signed by two responsible persons.

The CHAIRMAN. Certainly.

Mr. HENRY. Now, if you are going to amend that act in any regard, I suggest, by way of digression, that you should leave it optional with the Secretary of the Treasury to take 12-month paper and to have it backed up by warehouse receipts.

The CHAIRMAN. As a matter of fact, Mr. Henry—

Mr. HENRY (interposing). Then limit the amount of interest that can be charged on that, and you will help somewhat.

Mr. HAYES. That would not be commercial paper at all.

Mr. HENRY. I do not want it to be commercial paper.

The CHAIRMAN. As a matter of fact, Mr. Henry, the Secretary of the Treasury has given such a broad ruling on that proposition that cotton warehouse receipts are put upon a vastly better basis than commercial paper. He has ruled that they may be accepted as security.

Mr. HENRY. For how long?

The CHAIRMAN. Well, there is no special limitation.

Mr. HENRY. Well, if he will rule that, and you will limit the interest that can be charged, you perhaps might reach the difficulty. But understand that you have got to take care of the merchant as well as of these farmers; because we are on a cash basis in Texas and the South. That is something I omitted that should have been said. The wholesale merchant refuses to sell to the retail merchants except for cash; the retail merchant refuses to sell to the farmer except for cash; and you must take care of the merchant, too, and allow him 12 months time, under the discretion of the Secretary of the Treasury.

But just to get back to one other proposition: You say you would use these notes only for commercial transactions. I would use them for agricultural transactions and call them agricultural transactions, and I would simply cut down the total issue 50 per cent and set off 50 per cent of these Federal reserve notes, to be used in agricultural transactions; write it into the law this year, and leave 50 per cent to be used in commercial transactions, and then you would see that each one got what he was entitled to, and neither one would be fattening on the other.

Mr. PHELAN. Do you think the Federal Reserve Board under the Federal reserve act ought to take the commercial paper of some individual, we will say, which on the market was selling for 80 cents on the dollar as if it were worth 100 cents on the dollar, and issue notes accordingly?

Mr. HENRY. No; I do not.

Mr. PHELAN. Well, do you think we would have any justification in doing that?

Mr. HENRY. No; I do not.

Mr. PHELAN. Well, can you not see then that there is a great distinction between the power we have given the Federal Reserve Board and loaning money on paper at 100 per cent of its value or more, or putting a law into effect which is going to cause loans to be made greater than the market value of the cotton, because that is what will happen if we loan on cotton at 10 cents? There is a distinction there, is there not?

Mr. HENRY. Well, you are wrong about that.

Mr. PHELAN. There is a distinction there, is there not?

Mr. HENRY. I understand the distinction you are drawing. But here is the mistake you are making: You do not come from a cotton country; you are from Massachusetts, but you are interested in cotton, because you need cotton for your mills.

Mr. PHELAN. I agree with you about that.

Mr. HENRY. And in 60 days you will feel that condition very badly; because whenever you paralyze the cotton industry it hits you in Massachusetts.

Mr. PHELAN. It hits us, yes; but—

Mr. HENRY (interposing). Please let me finish. *There is no market for cotton now.* Cotton is selling for 6, 7, and 8 cents; but is worth more than that; it costs more than that to raise it. This is a war crisis, not a permanent condition. This is a terrible condition that has come on the southern people and has blighted the cotton industry; and there is now no market for it. But the very moment some arm is raised long enough and strong enough to reach out and finance the needs of the cotton producer and make it possible for them to get at least \$35 a bale on their cotton, they will rise to their feet and cotton will be worth its real value and what it cost to produce it. And when this war is over it is certain to leap to more than 12 cents a pound.

The CHAIRMAN. Mr. Henry, right in that connection I would like to understand the logic of your proposition. You say that there is no market for cotton now; that the spinners will not buy cotton.

Mr. HENRY. Yes.

The CHAIRMAN. That they will not buy it at 8½ cents; but if your bill passes they will buy it at 12 cents a pound.

Mr. HENRY. Yes.

The CHAIRMAN. Why will they buy it at 12 cents a pound under your bill, if they will not take it now when they can buy it for 8½ cents?

Mr. HENRY. I will tell you, Mr. Chairman, exactly why; they think they are going to get it for still less than it is now. Here is the proposition: You and I are trying to do the same thing; we are both trying to do something for the southern people. You are a southerner yourself, and you are just as patriotic as any man in the Congress of the United States. You are endeavoring to extend this help to the cotton farmers through the national banks, *under the agency of the Aldrich-Vreeland Act*. You are trying to finance the needs of the cotton grower, are you not?

The CHAIRMAN. Yes.

Mr. HENRY. But your agency has failed, and will fail; and you will see that I am correct, and that you will never get this help to the farmers until you march right down from Washington City—in

the personage of the United States Government, through its agents—and distribute this loan directly to them.

Mr. PHELAN. Just let me ask you a few more questions now.

Mr. HENRY. All right.

Mr. PHELAN. You said that you would not make these notes immediately redeemable in gold, but would make them redeemable when the cotton was sold. Now, if that is the case, a person who held one of those notes, which would be issued under your bill, could not go up to the Treasury and get gold for it unless the cotton had been sold; but he could get gold for any of our paper money that he held.

Mr. HENRY. Yes; he could in both instances.

Mr. PHELAN. Now, under those conditions, how long do you think it would be before the very money that you are asking to have put out would depreciate in value, since it was not redeemable in gold immediately, and, so far as anybody knew, it would be redeemable in gold only when the cotton was sold—

Mr. HENRY (interposing). All right. It is under my bill redeemable immediately.

Mr. PHELAN (continuing). And so far as anybody knew that date was absolutely uncertain and possibly the cotton might never sell at 12 cents a pound?

Mr. HENRY. All right; will you stand on that proposition?

Mr. PHELAN. I am asking you a question.

Mr. HENRY. But will you stand on that proposition which you have put as a hypothesis?

Mr. PHELAN. I will stand on the question as a hypothesis.

Mr. HENRY. I will tell you what we will do if you do that. We will cut this amount of notes down to \$300,000,000, and then we will increase your gold reserve \$150,000,000, making it \$300,000,000 in all; and put 50 cents behind every one of these notes outstanding, whereas you have now got \$150,000,000 gold behind \$346,000,000 of greenbacks and about \$2,000,000 of Treasury notes.

Mr. HAYES. It is \$346,000,000 altogether.

The CHAIRMAN. No; \$348,000,000 altogether.

Mr. HENRY. The greenbacks and the Treasury notes of 1890 amount of \$348,000,000. You have \$150,000,000 in the Treasury vaults back of that. Now, we can get together, you and I, and we will pledge you—those of us who want to find relief for the cotton grower—to put behind that \$300,000,000 of those notes that we propose to issue, \$150,000,000 additional gold reserve, obtained by the issue of bonds; and you can write your statute as you please in order to serve that purpose.

Mr. PHELAN. And who is going to furnish the \$150,000,000 additional in gold?

Mr. HENRY. These same people who are making up pools of \$150,000,000 to send to Europe, and pools of \$100,000,000 to finance the New York City loan, and the people who wanted to finance the nations of Europe which are at war by loaning money to them to continue the war when President Wilson stopped them and said they should not lend the money. They will buy these bonds; of course they will buy them.

Mr. PHELAN. Oh, you are going to issue these bonds to get the gold?

Mr. HENRY. Yes; I would issue bonds to get the money. Do you not believe that we could get \$150,000,000 of gold in that way?

Mr. PHELAN. I think probably we could get \$150,000,000 of gold in that way, but whether it would be advisable is the question.

The CHAIRMAN. Do you believe we could get \$150,000,000 in gold if this Congress passed Mr. Henry's bill?

Mr. PHELAN. No; I do not; let me finish—

Mr. HENRY (interposing). Well, if you are right on that point, if you can not get the \$150,000,000 gold, I would go further—and I am going to make a pretty strong statement which is far-reaching—I would issue this \$500,000,000 anyhow, and put it out to loan on cotton, and let the notes rest on the present gold reserve.

Mr. PHELAN. Now, to come back to your proposition of getting gold, I want to point out, as you are using this Federal reserve act as the basis for your proposition, that under the Federal reserve system—

Mr. EAGLE. Please make your statement of your premises accurate; he is not doing that.

Mr. PHELAN. You have been comparing the Federal reserve act and citing it to justify certain provisions that you have in your bill, and I want to point out again that in this case, while we are talking about having a gold reserve, you propose having the Government put up the gold reserve, whereas under the Federal reserve act the gold reserve is put up by those who get the money or notes from the Government—namely, the Federal reserve banks—which is a very different thing.

Another thing I would like to ask you: You would have this money loaned to the cotton growers at 3 per cent?

Mr. HENRY. Yes.

Mr. PHELAN. Now, what was the prevailing rate of interest before the war broke out?

Mr. HENRY. The prevailing rate to the farmer?

Mr. PHELAN. Yes; the prevailing rate to the farmer.

Mr. HENRY. I should say the prevailing rate was 10 and 12 per cent. But here, Mr. Phelan, you are just voting to amend a law—the Aldrich-Vreeland Act—that loans it to the banks at 3 per cent; you have cut it down from 6 per cent to 3 per cent for six months to the banks. I want you to cut it down for the farmer, just like it was for the emergency currency associations.

Mr. PHELAN. I can see the reason of that.

Mr. HENRY. That is the reason.

Mr. PHELAN. But here is what I want to ask you: What about the other people in the country who want to borrow at 3 per cent also? They may have met disaster because of this war; and if your contentions are correct—and there is a certain correctness in them—as to the effect this cotton problem is going to have on the whole country—

Mr. HENRY. Yes.

Mr. PHELAN. Will not other people—the silver miners, the manufacturers, the copper miners, and others—come on and want to borrow from the Government at 3 per cent?

Mr. HENRY. Yes.

Mr. PHELAN (continuing). Whereas the prevailing rate before the war was very much higher?

Mr. HENRY. Precisely; and it is strange to me that that question was not asked by the committee a good while ago.

Here is the difference: Tobacco, or export tobacco is situated now a good deal the same as cotton—

Mr. WEAVER (interposing). Let me make a statement which I think will help clear the discussion.

Mr. HENRY. Yes; certainly.

Mr. WEAVER. I notice in the press that 10,000 men are reported to be out of work in Arizona who were engaged in copper mining there.

Mr. HENRY. Yes.

Mr. WEAVER. And I notice that a Senator from the Southwest has introduced a bill in the Senate providing for the purchase by the Government of copper?

Mr. HENRY. Yes; I am glad you made that suggestion.

Mr. RAGSDALE. There are two or three questions I would like to ask at this point.

Mr. PHELAN. Will you let Mr. Henry answer my question first?

Mr. HENRY. You asked me a question, and I will come back to that.

Mr. RAGSDALE. There are just two or three matters I would like you to come back to.

Mr. HENRY. Shall I answer your question first, Mr. Phelan?

Mr. PHELAN. Yes, if you please.

Mr. HENRY. I am surprised, Mr. Phelan, that your question was not asked before. I know the consequences of the step I propose. But we tender to you as security here for this loan from the Government the great gold product of the United States, the agricultural gold product. It is a necessity for every State in this Union, and for practically every civilized country on earth. There are many figures that I could lay before this committee, and probably they will be placed in the record, in regard to cotton. I could indulge in rhetoric about it; but am not going to do anything of that sort.

Here is this great national and international product stricken down. You talk about some local situation, involving half a dozen counties, or a dozen counties, or a State, which does not affect anybody a hundred miles away from that locality, and ask us to go that far. And here comes the chairman (Mr. Glass) and says tobacco ought to be included. We agree with him, because the tobacco crop is one of our great export crops, and if it is in as much distress as we are in regard to cotton we ought to include it; it affects every State in this Union; the prosperity of all of our people.

That being the case, it becomes a question of political policy to be pursued by Congress, the representatives of the people; and if they see proper to say in this crisis that the people's money shall be used for this purpose, then neither the Supreme Court of the United States nor any Executive can stay the hand of Congress. The only agency that can register the political will of the people is Congress.

I am ready for that, am ready to make that step forward, and say that in this year of 1914, when all these Southern States are paralyzed—and you have just gotten the mildest taste of what is going to come hereafter—I am ready for this Government to preserve this national and international product for the benefit of mankind here in our country and elsewhere.

Mr. PHELAN. Then, you would, for the reasons given, discriminate in favor of cotton as against other things?

Mr. HENRY. I would.

Mr. PHELAN. You would grant them this special privilege?

Mr. HENRY. I would. And I want to say this now to our friends from the wheat States—from the great West and the Northwest—that if the situation should be reversed and cotton were going to all of the markets of Europe, and the markets were open for its purchase, and the blight had come upon the great wheat-growing States of this country, and you had no market, and you were about to lose what you had produced on account of the war in Europe, I would not hesitate one moment to vote to extend this aid to your people, as this Government has often done. [Applause.]

Mr. PHELAN. Just one more question, and I am done.

Mr. HENRY. Just let me have one more minute, and then I will answer your question. Because the president of the Chicago Board of Trade, the great grain market, said before a committee in this room that elevator receipts for wheat were the "*best security in the world.*" You heard this, Mr. Manahan; and he said that in the great panic of 1907, when you could not get money with commercial paper, when you could not buy gold with anything else, you could take these warehouse receipts around Chicago and purchase gold with freedom and without limit. [Applause.]

Mr. PHELAN. Just one question, and I am done.

Mr. HENRY. One moment. Now, about policy: If you want to put it in—because I am going all down the line on this matter; I am committed to this policy, that this aid should, in times of need like this, be extended to all staple agricultural products. I am committed to that proposition.

In the house of representatives, Texas Legislature, the following resolution was adopted:

We demand of Congress the speedy enactment of such laws as will direct the Secretary of the Treasury in the deposit of sufficient Government funds in the banks for the purpose of direct loans to farmers at low rates of interest on non-perishable farm products at 75 per cent of value of same when stored in bonded warehouses.

Mr. PHELAN. Then you would, under existing circumstances, discriminate in favor of cotton as against other products and grant them a special privilege, although by voting for the tariff act you refused to grant a special privilege to sugar, when your failure to do so destroyed the industry of a whole State?

Mr. HENRY. I would rather not put it as a special privilege. I would rather say that I would like to extend the same privilege to the cotton growers that we have extended in the Federal reserve act to the commercial interests of the country.

The CHAIRMAN. The Federal reserve act did not make any discrimination.

Mr. HAYES. Of course not.

The CHAIRMAN. The Federal reserve act, within the limits of its powers and capabilities, extends the same privileges to the cotton planter and the tobacco grower that it does to the commercial interests.

Mr. HENRY. You are almost quite correct. It does that when it goes into operation; and I do want to be fair. But, Mr. Chairman,



if your Federal reserve act were in operation now, it would not bring this relief to the people, unless you passed the first bill I drew, and which I introduced on the 31st day of August.

The CHAIRMAN. It would unless your hypothesis is correct, that the bankers are unpatriotic and hoggish.

Mr. HENRY. Well, I would not put it that way. I would rather say that the bankers have running through their systems and veins every impulse of "enlightened selfishness" that all men have who have money to lend and whose business it is to fatten dollars.

The CHAIRMAN. Well, if the Federal reserve act were now in full operation there would be no self-interest, there would be no prompting of cupidity or of acquisitiveness among the bankers in this matter; there could not be.

Mr. HENRY. I am not attacking the Federal-reserve system; I have no desire to do that.

The CHAIRMAN. But I want you to be fair.

Mr. HENRY. I am going to be fair. I think you will concede that I want to be fair.

The CHAIRMAN. Oh, yes; I know you want to be.

Mr. HAYES. You would not deny, would you, that the Federal-reserve act recognizes the great cotton industry as one of the business interests of the country, like all other interests, and permits national banks to take care of it just like it does of all the other business interests of the country?

Mr. HENRY. It did not contemplate this great war emergency; we will put it that way.

Mr. LINDBERGH. But that act leaves it entirely optional with the bankers whether they will do that or not.

Mr. HENRY. Yes; that is true.

Gentlemen, we ask you to help us work this out. We have not come here for political reasons. I know that I have been criticized for introducing this bill and have been accused of undertaking to make politics out of it. But I have not, and I think those who know me best will agree to that. We want you to help us solve this question, and we want the President to help us solve it, and the Federal Reserve Board. But if you do not, if you can not do that, do not underestimate the fact that this very question is going to be an issue in the politics of the United States. [Applause.]

Mr. RAGSDALE. Mr. Henry, may I ask you a question?

Mr. HENRY. Yes; certainly.

Mr. RAGSDALE. A question was raised by Mr. Phelan, I think, as to your proposing to loan more than the market value on cotton. Is it not that the silver certificates now and at other times, and the coined silver itself, are being issued because of the power of the Government and not because of the intrinsic value of silver? In other words, the silver if not bought by the Government and used in that way would not bring on the market the price which the Government pays for it?

Mr. HENRY. Certainly, Mr. Ragsdale. Silver is treated just like tobacco and wheat and cotton, and just like old rags, or any other commodity that has any value; it is redeemable in gold; and it is no more as money than mere paper.

The CHAIRMAN. Do you mean to say they are buying silver now above the market price?

Mr. HENRY. No; they passed a bill in the Senate to do that.

The CHAIRMAN. To buy it above the market price?

Mr. HENRY. Not above the market price; but if it could not be redeemed in gold its price would go down.

Mr. RAGSDALE. Is it a Government valorization of silver.

Mr. HENRY. Certainly, it is a Government valorization of silver. But if it was not redeemable in gold, and if it could not be utilized for coinage purposes, what would it be worth?

The CHAIRMAN. The Government purchases a certain amount of silver at the market price to be coined into fractional currency.

Mr. HENRY. Well, you will remember the bill; it is Senator Smoot's bill; I think I have it with me.

Mr. HAYES. Let me ask this question along the line of the questions I have already asked and then I am through: Robbing your proposition of all furbelows and rhetoric, you propose that the Government of the United States shall loan directly to the producers of the cotton \$500,000,000?

Mr. HENRY. Yes; but I do not think there are any "furbelows" on the proposition.

Mr. HAYES. Well, I want to make it perfectly clear that that is your proposition?

Mr. HENRY. I understand; yes.

Mr. HAYES. Now, what I want to ask you is if you have made any computation or any estimate of the expense of extending that accommodation to hundreds of thousands, perhaps millions, of people? How much is it going to cost the Government to sift out those who are worthy and those who are not in order to prevent frauds?

Mr. HENRY. Well, I do not know.

Mr. HAYES. And to take care of the security to see that it is not burned or stolen or destroyed; have you made any estimate of what it would cost the Government to do that?

Mr. HENRY. No. But I figure it this way, that I would be willing to compute the total sums appropriated by Congress for the relief of sufferers in the San Francisco earthquake and fire in your State, and for the Martinique earthquake and volcano, and for the victims of the fire in Salem, Mass., in Mr. Phelan's State, and for the Ohio flood sufferers in Ohio, and for the floods in the Mississippi Valley. If those cost \$10,000,000, then I would be willing for you to put another section in this bill and appropriate twice that amount in order to carry out its provisions and get this money to the cotton producers.

Mr. HAYES. Now, to correct you, I will say that this Government did not appropriate anything for the San Francisco earthquake and fire. It appropriated—

Mr. WEAVER. \$2,000,000.

Mr. HAYES. Yes; to supply medicine and medical attendance and to supply food for the first week.

Mr. HENRY. That is the same thing. We want you to appropriate this money to supply "medicine" for the cotton growers. [Laughter and applause.]

Mr. HAYES. That is pretty good.

Mr. WINGO. I want to ask this question in that connection in order to get your viewpoint and so as to bring out the facts: In normal times the banks in the small cotton towns which are financing the cotton farmer and the cotton merchant extend the credit along

commencing in the early part of the year and when August comes, or the 1st of September, those banks have gone practically to their limit, have they not?

Mr. HENRY. Yes, and more, too.

Mr. WINGO. Now, that usually taxes the small banks of the cotton section to their limit to finance production. In order to get the money to finance the harvesting at this time of the year, the larger banks in the centers of the South are usually shipping in currency from the north, and in turn shipping it out to the small country banks; that is the normal condition, is it not?

Mr. HENRY. That is my understanding.

Mr. WINGO. And those small banks, having exhausted themselves in producing the crop, have not the actual cash in the fall to pay for the picking, the ginning, the bagging, and the ties, have they, without some of the cotton is sold and shipped and money brought back in return?

Mr. HENRY. Yes; and I will put it stronger than that; I will say that that is the information I have received in letters and personal communications.

Mr. WINGO. That is admitted, I think, by any one who is familiar with the situation.

Mr. HENRY. I do not think there is any question about it.

Mr. WINGO. There is no question about it. Now, instead of having that normal condition, have we not got just the reverse? The larger banks in the large centers of the South, instead of shipping money in from New York and shipping it on out to the country banks, are now shipping money to New York to settle the obligations of the large merchants and factory enterprises of the South that are due, and which heretofore have been settled with cotton and not with cash.

Mr. HENRY. The best proof I can offer that your statment is absolutely correct is that I heard Mr. Harding and Mr. Warburg, of the Federal Reserve Board, say that very thing the other day before the Committee on Banking and Currency.

Mr. WINGO. Now, that seems to be true. Mr. Harding knows the conditions, and he knows that is true; and it is shown by the information I have.

So that now, instead of the large banks of the South getting in money from the North, they are shipping it out; and instead of shipping it out to those small banks handling the picking and marketing of the cotton crop, they are shipping it to New York and other centers, thus depleting the cash of the South instead of adding to it.

Now, that being true, the small bank in the cotton towns—it is not a question of their patriotism; but they simply can not do anything without additional cash?

Mr. HENRY. I do not think they can.

Mr. WINGO. They have not got the funds, have they?

Mr. HENRY. No.

Mr. WINGO. So, instead of getting the money in from the big banks—from the North, where they are depositing it—instead of them shipping it out to the small banks to aid in the marketing of the cotton crop, they are shipping it back the other way. Now, that being true, I repeat it is not a question of patriotism with the

small bank in the cotton town, but it is simply a question of a lack of funds. They can not meet the demand that is proper and legitimate.

Mr. HENRY. I do not think they can.

Mr. WINGO. They have not the funds?

Mr. HENRY. No.

Mr. WINGO. Now, take the Aldrich-Vreeland system: It does not undertake to give the State banks of the South emergency currency with which to market the cotton crop, but this currency goes only to national banks in large centers. The cotton farmers themselves are miles away from these centers, and so the issue of emergency currency does not give them relief at all, does it?

Mr. HENRY. No; and it can not—

Mr. WINGO. Just a moment. The only relief it gives is to the large banks, which are necessarily the national banks?

Mr. HENRY. Yes.

Mr. WINGO. And they are not sending the money to the small cotton banks, are they?

Mr. HENRY. No; they are not.

Mr. WINGO. Now, that being true, then it is not a question of patriotism with the small southern cotton banker. But if you do provide some means, if you make a channel available, a source of currency available, will he not be compelled to avail himself of that for his own self-protection, as for the merchant and firms whose notes he holds, he must be supplied with currency as well as credit.

Mr. HENRY. Mr. Wingo, you are undoubtedly correct there. I have never had a fear but if you could get the money to the banks under the terms I have fixed in the bill, it would work all right. But let me call the attention of the gentlemen here, supplementing what you said—and all you have said is true. You take Oklahoma and Arkansas—take your State, Mr. Weaver, and your State, Mr. Wingo—you have not a single one of these currency associations in Oklahoma, and you have not one in Arkansas. You have to go to St. Louis to get your currency, Mr. Wingo, and Mr. Weaver, you have to go to Kansas City to get yours. And yet you produce over a million bales of cotton in Oklahoma.

Mr. WEAVER. Yes.

Mr. HENRY. And, Mr. Wingo, you produce over a million bales of cotton in Arkansas. And yet under this system these gentlemen believe in—they believe it will help—although they have provided these currency associations, they have removed Arkansas 100 miles from its agency that is to give relief in this serious difficulty. It will not work; it will not do.

The CHAIRMAN. Do you mean to say that none of the banks in Oklahoma and none of the banks in Arkansas are members of a currency association?

Mr. HENRY. Oh, no; I do not mean that.

Mr. WINGO. None of the State banks in Arkansas are under the law eligible for membership in the currency associations.

Mr. HENRY. They can not get into that association.

The CHAIRMAN. It is admitted that they can not get in. But the point you make is that the currency associations are too far removed from the State banks.

Mr. HENRY. Yes; I maintain that. I was just illustrating how immense the country is.

We have one in Dallas, but one is not enough; and some bankers have said to me that while it is very pleasing to have a currency association at Dallas, they are not going to feed this money out to the farmers, for they are not in a position to do it if they have to take care of their regular customers. And I tell you, gentlemen, they are not doing it, and you are not on the right track in trying to amend this law as you are going about it.

Mr. NEELEY. And has not a time limit to be considered in this matter?

Mr. HENRY. Time is always precious; but never so precious as it is now.

Mr. NEELEY. How long will it take to get this amendment you propose enacted into law?

Mr. HENRY. Well, if we could get this Banking and Currency Committee to report it I think the Committee on Rules could report a rule for Thursday and we could get it passed through the House Thursday. And I believe if we would go over there and show the Senate the importance of it, they could pass it in a week, and if the President then would sign we could have it working in 10 days.

The CHAIRMAN. Did you ever hear of a character in fiction called Mark Tapley?

Mr. HENRY. Yes; and I would abolish that fiction.

The CHAIRMAN. I think you have abolished it by exceeding Mark Tapley in cheerful optimism.

Mr. WINGO. Just a few questions and then I will be through. Mr. Hayes asked you how you would prevent fraud. You heard the comptroller the other day state he did not know how much accommodation paper was being shunted on them now under the emergency currency act, by banks in the large cities, did you not?

Mr. HENRY. I did.

Mr. WINGO. Can you tell us under the Aldrich-Vreeland act of a plan to prevent them accepting accommodation paper for emergency currency, if a reputable bank shoved it onto you?

Mr. HENRY. I do not know of any way.

Mr. WINGO. Have you any doubt in your mind that there is accommodation paper being taken now as a basis for emergency currency?

Mr. HENRY. Well, there is a good deal, as the comptroller said.

Mr. WINGO. And there is just as much room for fraud under the present plan as there would be to furnish the aid through the local banks direct to the farmer?

Mr. HENRY. Oh, yes. And, right there, it is possible for those who want to make their dollars more valuable and cotton cheaper to be in a combination now to keep the price of cotton down so that the farmer will have to sell it at a great sacrifice. That is possible.

Mr. WINGO. As I understand, that is why they amended the bill you have here this morning; and as I understand, you propose to enlarge the fiscal agencies?

Mr. HENRY. Oh, yes.

Mr. WINGO. You do not propose to deal it out to the farmer directly—

Mr. HENRY. Oh, no.

Mr. WINGO. You take banks, both State and National, as fiscal agencies, and by your bill you propose to loan through these fiscal agencies direct to the farmer?

Mr. HENRY. I got my cue from the Federal reserve act.

Mr. WINGO. Now, the question has been asked you about redemption. Five per cent redemption fund is now provided by law.

Mr. HENRY. Forty per cent, as I understand it.

Mr. WINGO. The law is 5 per cent.

Mr. HENRY. The banks must have 40 per cent behind these notes, as I understand.

Mr. WINGO. The provisions of the Federal reserve act—

Mr. HENRY. You read that.

Mr. WINGO (reading):

The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient, in the judgment of the Secretary of the Treasury, for the redemption of the Federal reserve notes issued to such banks, but in no event less than 5 per cent.

It is true that every Federal reserve bank has to maintain a reserve of 40 per cent, but the note-redemption fund is only 5 per cent unless the Secretary of the Treasury calls for more?

Mr. HENRY. Yes.

Mr. WINGO. That is practically the same provision that we now have with reference to national-bank notes?

Mr. HENRY. Yes; with reference to the national-bank notes—the same provision.

Mr. WINGO. Now, the question was asked you by Mr. Neeley whether or not you would make the farmer provide for a redemption fund. Is there any provision of any existing law that requires a merchant, manufacturer, or cotton factory that gets Federal reserve notes or emergency-currency notes, to maintain a redemption fund? I mean the borrower—the man that gets the money, not the regional reserve bank?

Mr. HENRY. No; I should say that would be based on his credit and the security he could get behind that paper.

Mr. BULKLEY. Now, the gentleman wants to be fair. The Federal Reserve Board is not an institution that wants to get money; it is an institution to get reserve; and the 5 per cent carried in Washington is only a part of the redemption fund, because the Federal reserve notes are also redeemable at the bank where they are issued.

Mr. WINGO. Yes; but there is not a single provision in the Federal reserve act that requires the regional reserve bank to redeem first. The primary redemption is at the Treasury.

Mr. BULKLEY. They are redeemable at either place.

Mr. WINGO. I know it.

Mr. HENRY. And redeemable at the banks?

Mr. BULKLEY. In gold.

Mr. HENRY. Oh, in gold or "lawful money."

Mr. BULKLEY. The bank has to keep a 40 per cent reserve.

Mr. WINGO. Mr. Henry states, and his contention is true, that the regional reserve banks simply act as the fiscal agents.

Mr. HENRY. I think so; I do not see how any one can controvert that.

Mr. WINGO. Coming down to this proposition: Is there any way you would be willing that the same general redemption fund should be provided for in your bill as is provided for other Government issues?

Mr. HENRY. Oh, yes.

Mr. WINGO. And let the Secretary of the Treasury or some other agent devise a method for the raising of that fund?

Mr. HENRY. I will tell you this, Mr. Wingo: Inasmuch as the public deposits hereafter in these Federal reserve banks—I mean the deposits that have been in the Treasury heretofore—inasmuch as we are going to abolish the Independent Treasury system and put the public funds in these banks, and let them have the benefit of them in order to carry on their operations, I would find some way to use these public funds where they are used for the reserve. It is the Government funds that are there and being utilized.

Mr. WINGO. Something has been said about gold here. Is there anything about gold that gives it its value, other than its coinage value, that cotton does not possess? I mean other than coinage value?

Mr. HENRY. I understand. I think not. I think this, that you purchase gold with a commodity just like you purchase cotton with gold. In other words, to reverse it, I think you can go out in the markets of the world, after this war is over, and take your cotton and purchase gold just like you take your gold now and purchase any other commodity. And aside from coinage value, they are both interchangeable, just because one thing purchases another. That is the only reason.

Mr. WINGO. What is the greatest value gold has? Is it not coinage value?

Mr. HENRY. That which flows from coinage. Of course that is given it. We are on a gold standard.

The CHAIRMAN. What is the average production of gold?

Mr. HENRY. I do not now remember the exact figures.

The CHAIRMAN. What is the average production of cotton?

Mr. HENRY. The average production of cotton. This year it will be nearly 15,000,000 bales, I think, in the United States.

The CHAIRMAN. Roughly estimating, what will that be worth at the usual figure?

Mr. HENRY. At the usual figure it will be worth a billion dollars. At the figure it is being sold for now, it will be sold for less than half its value.

The CHAIRMAN. What is the annual production of gold?

Mr. HENRY. I do not remember the exact figures.

The CHAIRMAN. It is between \$350,000,000 and \$400,000,000, is it not?

Mr. HENRY. I do not remember. I have those figures in the books, but I do not remember.

Mr. WINGO. Is gold a necessity in the sense that food and clothing are?

Mr. HENRY. Well, I do not—

Mr. WINGO. Is it necessary? Can a man live without gold?

Mr. HENRY. Now, you are asking me to answer in a technical way questions that have been answered by Jevons, Cernuschi, Walker,

and other great scientific writers on money. Of course, I do not think gold is a necessity. I do think cotton is a necessity.

Mr. WINGO. You do not have to wear gold to keep warm, or eat gold to sustain life?

Mr. HENRY. No.

The CHAIRMAN. Salt is a necessity.

Mr. HENRY. That is true. And salt used to pass as money—and tobacco.

The CHAIRMAN. That shows the relative difference between salt and gold.

Mr. HENRY. Oh, yes. And salt used to be legal tender, and so did tobacco.

Mr. WINGO. It is a fact that gold is selling at a premium of \$6, is it not? As far as gold is necessary to ship to Europe?

Mr. HENRY. Mr. Wingo, I have not looked over the market quotations.

Mr. WINGO. Well, assume that is true. Have you found any cotton broker, farmer, or anybody else who does not think that cotton, immediately after this war is over, will jump higher than the normal price?

Mr. HENRY. I have not found a single human being in Washington City or in the United States who doubts that proposition.

Mr. WINGO. Has not the price of cotton always jumped after a war?

Mr. HENRY. I think it sold for a dollar a pound after the Civil War. That is my recollection.

Mr. WINGO. Then is it not true when the channels of trade are open under normal conditions that this cotton that is being held will then be shipped to Europe and the markets of the world and you will save this country that premium on gold? Is not that true?

Mr. HENRY. Yes.

Mr. WINGO. And won't it protect the gold reserve? In other words, are not gold and cotton intermixed as far as our international trade is concerned?

Mr. HENRY. I think it is the one thing that makes it easier to get gold for our gold reserve in our Treasury vaults.

Let me right there put in the exact figures of the amount of cotton shipped abroad last year and consumed.

In 1913 the United States produced 14,159,078 bales of cotton.

We exported 8,800,966 bales.

Our United States spinners used 5,786,330 bales.

The total value of the cotton exported last year, 1913, was \$547,-357,195.

Great Britain took that year 3,563,216 bales, Germany took 2,350,761 bales, and France took 1,014,834 bales, which was about four-fifths of the total number of bales exported.

In addition to that, Russia took 70,625 bales, Belgium took 214,245 bales, and Austria-Hungary took 109,992 bales. So you see, gentlemen, that it amounted to nearly 9,000,000 bales that year.

Mr. SMITH. It is also true that only about 6,000,000 bales went to the rest of the world?

Mr. HENRY. Yes; that is true.

Mr. WINGO. Now, Mr. Henry, the suggestion has been made and pressed very vigorously and sincerely by one member of the committee



that what the cotton farmer of the South needs is not cash; that the pressing need of the cotton farmer of the South is credit alone and not cash. Do you think that the farmer would be willing for the rest of the country to get cash and for him to get credit alone and not cash?

Mr. HENRY. No. And, besides, one way to get credit, if credit he needs, is the very thing we are trying to do here in this bill.

Mr. RAGSDALE. Mr. Henry, if there ever was a time when we needed a cotton-moving fund to be deposited in the South, it is now. Last year the Treasury Department deposited about \$30,000,000 there, and this year only between \$5,000,000 and \$10,000,000. Does it not look like we are in need of legislation if the Treasury Department finds itself in a position where it can not deposit funds in these times?

Mr. HENRY. I think if you did deposit \$50,000,000 in the South this year you would hamstring the currency act and delay its operation much longer.

Mr. RAGSDALE. But does it not show the necessity for legislation when you can not get an emergency fund deposited there on the part of the Treasury, however willing it may be, when it recognizes the necessity and wisdom of putting it there? It shows the need for legislation to enable them to meet this situation, does it not?

Mr. HENRY. Mr. Ragsdals, everything I have said leads to that conclusion, and no other. There may be a better way, but that is the only method by which I have been able to work out.

Mr. RAGSDALE. I think Mr. Hayes developed another question. Mr. Hayes asked a question here about the handling of these warehouse certificates, stating what a great expense it would be on the part of the Government. Under the law as it now obtains those warehouse certificates are being received and could they not continue to be received under this system which is now in vogue?

Mr. HENRY. Oh, yes. And if these gentlemen want to help us, and I know they do, we can demonstrate to them that the plan they are pursuing will not do the work, because it won't get the money to the farmer. And if they want to get the money to the farmer, then we can sit around this table and work out a plan to get the cash to the producers of cotton. That is all there is to it.

Mr. WINGO. One other question. We have been met with the proposition of inflation. Is there any more danger of inflation in issuing \$500,000,000 of currency under such a law as will actually get it to the cotton farmer—I say is there any more danger of inflation from that issue than there is from the issue of over a billion dollars of currency to commercial centers, as has been provided for under the amendment to the Aldrich Act just made by Congress?

Mr. HENRY. Mr. Wingo, of course the two propositions are identically the same. I say just simply cut off the supply of emergency currency notes under the Aldrich-Vreeland bill, paralyze that part of it for the present, and let it go through another channel, and not issue one dollar more of currency than would be issued pursuing the course these gentlemen wish to pursue.

Mr. WINGO. In other words, you propose that the farmers shall get the currency direct from the local banks as fiscal agencies of the Government instead of filtering it through the national banks of the cities?

Mr. HENRY. Yes.

Mr. BULKLEY. You referred in your line of argument to the Sherman Silver Purchasing Act of 1890. Do I understand you to be of the opinion that is a wise precedent to follow?

Mr. HENRY. You mean the purchase of silver?

Mr. BULKLEY. No; I mean that character of legislation. Was the Sherman Silver Purchasing Act a wise act?

Mr. HENRY. Oh, yes; I think it was wise. I think the unwise thing was done when it was repealed.

Mr. BULKLEY. You are willing to chance circumstances of a similar nature to those that followed the passage of the Sherman Silver Purchasing Act?

Mr. HENRY. I am.

And, restating the proposition, if the Federal Government under the reserve act can deposit its money in the reserve banks as an advancement to be loaned on the mere paper merchandise of men placed there in return for it and, furthermore, has power to deposit its authorized notes in national banks to be loaned under the Aldrich-Vreeland Act to any person of their choice, then by the same principle we are now warranted in demanding that this same Government send its currency springing from its sovereign monetary function to the stricken South to be deposited in banks with the just restriction that it be advanced only to distressed cotton growers at a low rate of interest and upon reasonable terms.

Permit me in conclusion to invoke the Baltimore platform as ample warrant for our demand. It reads on this subject as follows:

We condemn the present methods of depositing Government funds in a few favored banks, largely situated in or controlled by Wall Street, in return for political favors, and we pledge our party to provide by law for their deposit by competitive bidding in the banking institutions of the country. National and State, without discrimination as to locality; upon approved securities and subject to call by the Government.

If we follow our pledge, then we "will render temporary relief in localities where such relief is needed" by issuing these emergency notes.

AFTER RECESS.

The committee reconvened at 2.40 o'clock p. m.

The CHAIRMAN. Gentlemen, we will proceed with the hearing.

Mr. BARRETT. I desire to present Mr. H. S. Mobley.

#### STATEMENT OF MR. H. S. MOBLEY, PRAIRIE GROVE, ARK.

The CHAIRMAN. Mr. Mobley, be kind enough to give your full name and address to the stenographer.

Mr. MOBLEY. H. S. Mobley, Prairie Grove, Ark.

Mr. Chairman and gentlemen, it is not my intention to strive to say anything with regard to the details of the solution of this difficulty, but I will confine my remarks to practically two items. One is the principle involved and the other is the necessity for some measure of relief. I want to say to this committee that the gentlemen who are here are farmers; we are not bankers and farmers; we are not merchants and farmers; we are not lawyers and farmers; we are not doctors and farmers; but we people here almost entirely are just

purely and simply farmers. We are little farmers. There may be some men among us who farm 400 or 500 acres, but the most of us are 40, 60, and 100 acre farmers. That is the class of people we are representing here to-day. I know that it is the large farmers that are usually heard in behalf of farmers in general. I have heard men in the discussions that have taken place concerning this thing speak of being producers who no doubt are producers, but their idea of production is that one man does the work and the other manages it.

We are the men who join management and work both with our own hands and brains. We are producers. We are that class of people who, until this great organization that we are representing here to-day existed, have not had opportunities like this to extend to us before in the history of this country. We are here to-day because a difficulty we are unable to deal with has come upon us, and we do not believe that we are here with anything but a just cause. We do not believe that we are here asking unreasonable things. We do believe from the bottom of our hearts that we are here asking what is right and reasonable and what reasonable men will grant us.

Now, as to the details as to redemption and questions of gold reserve, differentiations between United States notes, greenbacks, Aldrich-Vreeland currency, and notes of regional reserve banks, and such as that, I have not a word in the world to say, and I do not want you to ask me to go into that question, because you know on the face of it that I am not able, and I do not profess to be able, to go into those things. I am able to deal with the conditions of my family, the conditions of my neighbors' families, and conditions of my people, among whom I live and of whom I am. That is where I want to stand.

Now, we have made some study. Experience has compelled us to study, and we do study. We study more to get the facts and the real things, to get correct knowledge, than most people give us credit for. We do not always get it, but, honest to God, we try to get it. Right here to-day, in the face of this committee, is a body of men who are here simply because people of my class back out yonder have been studying these problems and they are approaching an understanding of conditions; they are approaching a solution of the difficulties that are upon them, not only in this emergency, but generally. What is said here, not as to the details or technicalities but as to the general principle, is not going to stop with the record of these stenographers nor with the ears of you gentlemen, but it is going back down through the representatives of this organization to the fireside where the man sits by his wife and children and studies this problem in relation to his difficulties. It is going to get to him and he is going to take and make use of it; you can not blame him for not doing it; you would have no respect for him if he did not do it. There is going to come out of these talks to-day, the action of this committee, the action of Congress, and the action of this administration, the crystallized thought which is now in the minds of this class of people whom we represent, and that crystallized thought is going to lead to action. Whatever the action is I am not prophet enough to say and do not want to say, but it will come. In other words, what I am trying to say is, that we are investigating, thinking, and trying to get correct, sound information as to what is going on in our country in order to act intelligently.

Now, when it comes down to a question of a financial proposition, you gentlemen of this committee, or a subcommittee I understand it was, summoned me before you on the question of rural credits.

Mr. WINGO. It was a subcommittee.

Mr. MOBLEY. And you reported out a bill which bears the name of Mr. Bulkley—

Mr. BULKLEY (interposing). It was reported from the subcommittee to the full committee, but the full committee has made no report.

Mr. MOBLEY. There was quoted in that report this item, that the farmers' organizations of this country had impressed this committee with this thought: That any system of farm finance which did not give them Government aid would not be satisfactory. Am I not about right, Mr. Bulkley?

Mr. BULKLEY. I do not speak for the full committee, but for the subcommittee that is about right.

Mr. WEAVER. There has been no report of any kind.

Mr. BULKLEY. No; not a formal report, but that is the idea.

Mr. MOBLEY. Now, I do not know whether I have got that of a newspaper or some hearing, but I have that in my mind.

Now, consistent with that statement and with what I have tried to say here, which, while it might not have been as mature as I could have wished it to be in its thought, I want to say this: That any system of financial aid extended to the farmer that does not give him direct Government help is not going to give him help, not because he is prejudiced in the matter but for a number of reasons. The main reason is that he has the right position. I do not care what the commercial bankers say; I do not care what their view point is, nor how much he stands for the technicalities of his profession, or his calling, whatever you want to call it. Here is a thing that is as true as that the sun shines, and that is that in no country in the world has agriculture advanced relatively to other industries when financed by what is known as commercial banks in this country; in no country in the world have its profits been relative to the profits in other businesses when so financed.

Real agriculture has to have a financial system of its own, separate from commercial banking systems. Now, Europe has recognized that, and Europe is giving agriculture a system of banking, or, as you would call it, a rural credit system. There is a reason for that. It is not because the people in town get mad at the bankers and want to get rid of them and want to hit the bankers, but it is because in the very nature of the case there are essential differences between the finance of agriculture and the finance of commercial activities; the two things have to be separated in order to give justice to both sides. Now, I am not an expert along this line, but I have studied it to the best of my ability. Commercial banking is based upon a proposition somewhat like this: The commercial banker puts out part of his capital, which is borrowed from his depositors, at interest. That money he agrees to pay on demand. There is one thing that he can not deviate from, if he continues safe in his dealings, and that is that he must have short loans by which to be able to obtain quick money to pay his depositors.

Mr. WILSON. Mr. Chairman, if the committee will permit, I would like to ask Mr. Mobley if he thinks the rural credit bill which has

been proposed would meet the emergency which is sought to be covered by this bill?

Mr. MOBLEY. I wish, if you please, you would not ask me that question just now.

The CHAIRMAN. I will say to Mr. Wilson, who was not present when the rule was made, that we started out under the agreement that the gentlemen would be allowed to conclude their general statements without interruption, and when they have concluded their general statements, with the permission of the committee, questions may be asked.

Mr. MOBLEY. I am only laying this down as a principle on which to base an argument in another matter. I am not talking for rural credits. I am not sidetracking the real issue, but I believe a system of finance which requires quick loans and short loans in the United States has not been able to satisfy the conditions of agriculture, which require long loans.

Now, gentlemen, I will tell you there are lots of disputes about the cost of products, and things like that, but I have lived on a farm all my life, and I have been studying in my own way; I have read books and studied and tabulated figures, and I believe that I can give you something here that is worth while. You consider the raising of a mule colt, the raising of a hog, the raising of a crop of cotton or wheat, in general the raising of staple crops and live stock on the farm, and say that the time necessary to produce a particular thing and sell it at the best profit is two years. I believe I am safe in saying that it requires fully two years, taking everything into consideration, live stock and staple crops. If it requires two years to turn over, in God's name, how do you expect us to pay up in four months? Why, we can not do it. Europe has seen that, and has given her people an agricultural credit system. The other day, when I read a letter saying that the bankers were hoarding their money, I absolutely had a pity for them, and I said, "They can not help themselves; they can not make these long-time loans in this emergency." I do not care what kind of backing a banker has behind him, because almost everything he has behind him he agrees to pay on demand.

Now, in America we—not you gentlemen, but all of us—Democratic, Republican, Socialist, and Prohibitionist voters—have been trying to make agriculture finance itself under a commercial system of banking, and the result is that our Secretary of Agriculture, in agreement with the authorities of the world, will tell you that agriculture in America is paying only about 5 per cent. That is not in proportion to profits in commercial life, is it? I am not going to take up your time any further. You gentlemen are aware of the cityward movement of people from the country districts, and you possibly know more about that than I do. One of the reasons back of this movement is that agriculture in America is without a proper financial system applied and adapted to its necessities, and is suffering losses and not making progress in relation to other things as it ought to do. If you can not make it progress as it ought to progress in normal times, if you can not lend it money under a commercial-banking system under ordinary conditions, where on earth can you expect to give us relief at a time like this, when the commercial system is tied up?

Now, I believe that every man here is fair enough to give me credit for what I have said, and I think you will all admit that, although I may not have put it as plainly as some other people would, yet I have driven it straight home. I know you have not time to put up a rural-credit proposition now. I took that into consideration when I wrote the resolution that was introduced in the national convention at Fort Worth. That is the reason why we do not publish long complaints and fulminate through the press. If under normal conditions in Europe and America a commercial-banking system does not satisfy the demands of agriculture, then, under *abnormal* conditions, do not confine us to a commercial-banking system that can not take care of us right now. I think there is logic and reason in that statement. If I am capable of expressing it, that is my thought. Now, that is why—that is the reason why we say that there should be direct aid from the Treasury, because you do not have time to put on a rural-credit system at the present time that would handle the situation.

A rural-credit system inaugurated now would have to have time to come into work and force, just as your regional reserve bank would have to have time to come into work and force. Here is an emergency before us to-day that you gentlemen admit the commercial banks have not provided for, and can not now provide for under any conditions. If you can not put into effect a satisfactory rural-credit law, do not have us stand the disadvantage by confining us and tying us to the commercial-banking system. That would be equal to this committee refusing to grant us any assistance.

Now, I am not mad with the bankers; we are not criticizing them—that is, most of us are not. Of course we have people among us who say hotheaded things, just as other people have people among them who say hotheaded things. The men among us who are planning, pushing, and thinking are not going around throwing clubs at folks, because we know there is a reason for this situation. We know that there are some bankers that are possibly selfish, but we also know that there are other people in other classes of employment that are selfish, too. We are not basing our arguments on the ground of selfishness, but on the ground of scientific reasoning that the experience of the world proves to be correct. That is the reason why we say that you should make a direct departure from your established usages. That is the reason why we ask it. Now, I do not know that I have much else to say to you. I do not feel competent to advise you, except to say to you this: I came up here the 1st of August, and I have been here ever since, except for a short trip out to Fort Worth. I was sent here by the organizations in my State; and we have been working, writing, and striving, and we have tried to be satisfied with the ruling that was made by the Secretary of the Treasury. Yes; we did. We tried to be satisfied with it.

Now, I want to show you some telegrams. I sent back to Arkansas a letter to every member of the farmers' union in that State by means of our propaganda. I said to them, "Now, the Secretary of the Treasury has ruled that cotton shall be considered collateral, provided it is properly warehoused, at the banks in the currency association, and the thing for you to do down home is for all of you—doctor, lawyer, merchant, and farmer—who go to the same school, worshipping in the same church, and bearing the same expenses, to

get together and throw all your differences aside and put up your cotton and come down here and get your money." I thought that was good advice. I do not know what you gentlemen think about it. We tried the thing honestly, in good spirit, and in high hopes. Now, what did we get? Disappointment. We could not expect to get anything but disappointment out of it, because the bankers did not have the money to give us on long-time loans. That is why; that is the only reason. I do not believe that Mr. Henry meant to say anything to-day in a severely critical manner of the ordinary bankers; I do not believe he meant that. I believe that if they had the money, if they knew they were not going to be called upon to pay it on demand, if they knew that they could loan that money on long time at low interest to their friends the farmers they would be glad to it. That is why we are asking you for relief. No, sir; we do not believe they will tie you up, hog tied. Of course, some of them will do it. You had a Judas Iscariot among the Apostles, and you will find him in other walks of life. I understand that your Aldrich-Vreeland money is payable on demand, or practically so.

I have heard Members of Congress whom I have approached say, "Mr. Mobley, that is all right; that is all I can do." Now, maybe that is what you think, but I tell you we are not going to let you alone on that proposition. We do not mean to browbeat you; no, indeed; but we can not afford to let you alone, because we have not been relieved. We have not been relieved in the matter of cotton or tobacco, and we are going to keep after relief; yes, we are. This is not a warning; it is just the manly determination of men who are going to keep on after relief until they get it. I think I have done my part of it. I have been here for 60 days trying to get it.

Now, I have just one more point and then I will be through.

Mr. HARDY of Texas. Will the gentleman permit me to ask a question right there? I understood you to say that the banks would loan this money if they had it to loan?

Mr. MOBLEY. Yes, sir; I believe so.

Mr. HARDY of Texas. But they have not got it?

Mr. MOBLEY. No, sir.

Mr. HARDY of Texas. Now, two little banks in my town have gotten under the Aldrich-Vreeland proposition over \$120,000.

Mr. MOBLEY. Yes.

Mr. HARDY of Texas. If they can not loan that to the farmer, whom can they loan it to? And if they can not loan it to anybody else, what are they going to do?

Mr. MOBLEY. Before I answer that question I would like to know what they are doing with it now?

Mr. HARDY of Texas. Well, these men went to the Treasury Department and through the Secretary of the Treasury one of the banks got \$80,000 and the other I know has \$44,000. They got it under this Vreeland-Aldrich currency law. Now, they have that money in addition to their ordinary fund. If they can not loan it to these farmers whom can they loan it to?

Mr. MOBLEY. Well, you have not understood me. I believe that if they are not loaning it, there are one of three reasons for their action. One reason is that it is money that they are afraid to loan, because of the length of time of the loan. That is one reason. There is

another reason. A bank would naturally rather loan to a man in the mercantile business than to a farmer, not because one is a merchant and the other is a farmer, but because the merchant is in constant daily business dealings with a great number of people and receiving cash—

Mr. HARDY of Texas (interposing). Then that just brings it down to the place where the bankers do not want to loan money to the farmers.

Mr. MOBLEY. That is the substance.

Mr. HARDY of Texas. Now, do you not think that if the Secretary of the Treasury had the right to prescribe the conditions under which the farmers could get this money and direct the uses of it and make it a trust fund in that way, that a simple resolution giving him that authority would give more relief than that which is obtainable under the Aldrich-Vreeland system?

Mr. MOBLEY. Now, Judge, I have talked with you and have heard you talk and have heard you read your resolution, and I have tried to come to a fair conclusion. I tell you, frankly, no.

The CHAIRMAN. Judge, I do not like to interrupt you, but the chair has already permitted you to violate a rule with regard to interrupting witnesses.

Mr. HARDY of Texas. I did not know you had that rule.

The CHAIRMAN. You were not here at the time. The method of procedure is to let these gentlemen state their own case in general terms and then let the members of the committee ask them questions. Then, with the permission of the committee, we will let the other gentlemen ask questions also.

Mr. MOBLEY. Gentlemen, I want to convince you that what has been done has not really reached the man who is producing crops. In order to show you that, I will say that our committee sent out telegrams like this—as I said, we did not send telegrams to a man who owned a bank and a farm, or who had an income from a bank and a farm, or from a professional life and from a farm, but we sent these telegrams to the men whose only income was from their labor itself; in other words, simply farmers.

Now, here is the wording of the telegram we sent out:

Will you wire us immediately what price you are offered for middling cotton?

Gentlemen, it was only last Friday when the telegram went out, so the answers, as they say, are hot off the bat. The telegram goes on:

Can you secure loans on your cotton? If so, at what rate of interest, what value per bale, and how long a time?

Now, that covers the proposition of asking them, "If you do not want to sell it, can you get a loan to help you keep it if the price is too low?" The telegram goes on:

Can you secure extension of time for payment of debts? If so, at what rate of interest and for how long a time?

Now, that is the telegram we sent out. I could read you a lot of telegrams that we received in answer to that one. Here is a great envelope full; here is my pocket full, and I have got a grip full down at the hotel. I have not picked out one from this man that was bad and another from that man that was bad, but I just picked out a sheaf of them; and if they were bad, let them come, or if they



were good, let them come, because we wanted the truth. Now, before I read the answers to that telegram, I want to read you a letter but I am not at liberty to give you the name of the writer of the letter, because it was given to me by a friend who said it would prejudice his business interests if he gave the name of the writer of the letter. But I will make my affidavit that it is an actual letter. It is from one of the biggest cotton merchants or factors of the country, and this is his answer:

Under existing conditions we are not advancing more than 4 cents against middling white cotton and better.

Now, cotton men know what that means. The letter continues:

When for sale on first favorable market, and could not name a less rate of interest than 8 per cent and the usual commissions of 2½ per cent.

Now, gentlemen, if you put 2½ per cent commission with 8 per cent rate of interest, together with 22 cents a month for storage and insurance, and add freight, if that cotton did not go up considerably in price a poor fellow would have to actually send money to the receiver of the cotton to enable him to accept it.

Mr. LINDBERGH. That is on four months' time?

Mr. MOBLEY. He does not say what the time is.

Mr. SMITH. Is that from a cotton broker?

Mr. MOBLEY. It is from one of the largest cotton firms in the United States. Now, here is an answer from Murphysboro, Ark.:

Farmers are offered 7 and 8 cents for short cotton.

That is, for cotton that would not grade up.

None selling. None inclined to want to borrow money on their cotton.

You see, gentlemen, that is not favorable to my contention. He says:

The price is remarkably low—7 and 8 cents.

Now, I have got to make an explanation about that telegram. That telegram is from Murphysboro, Ark., and that town is situated on the edge of a volcanic crater where they are digging up diamonds. Certainly a fellow that owns a diamond field ought to be able to hold his cotton indefinitely without borrowing money on it. Next to the farm is a large peach orchard which is a very good investment, paying a 20 per cent dividend on \$1,000,000. A large number of people are employed there in picking, canning, etc., which fills up the banks with deposits. We have rather large banks near there, and the situation is fairly good, but you will observe that the price is down to 7 and 8 cents.

Here is a letter from Charles, Ark. That is south and east of Fort Smith, close to the Oklahoma line. This letter says:

Middling cotton selling for 6 and 6½ cents. Producers can not borrow money on cotton.

Note that sentence, gentlemen:

Producers can not borrow money on cotton.

CHARLESTON, ARK., September 19, 1914.

Mr. H. S. MOBLEY.

DEAR SIR: In answer to yours of recent date will say, farmers are holding meetings day and night. Last night I addressed about 150, and to-day at 8 o'clock am to speak again. Farmers passed a resolution last night pledging to

hold their cotton for 12 cents middling, and to reduce acreage one-half. Farmers are getting desperate. You need not be surprised to hear of rioting. I don't believe they can be controlled unless they get immediate relief. They claim they have made the whole sacrifice to save the business of the country as long as they are going to, and if they have to protect themselves they know how to do it. At the meeting last night every farmer asked me to write President Wilson, Mr. Bryan, Mr. McAdoo, and others asking them to use their influence for immediate relief. Only two bales have been sold in Charleston for cash price, 6½ cents. Sellers, Harvey Milham and Mr. Walker. Farmers are hauling it home as fast as ginned. Merchants and bankers say if the farmers don't turn the cotton over to them as collateral they will be forced to close their business.

The farmers say in turn they won't do so unless they can get a fair price.

(2) Producers can't borrow a dollar on cotton from the banks at Charleston. The reason why, so the banks say, is uncertainty; they can't increase their loans.

(3) All the picking so far is being done on credit, with the hope that conditions will get better and there will be a market for cotton. If conditions don't get better and people refuse to pick, or credit them, picking stops.

(4) I have heard tenants say that if they had to turn their cotton over to their creditors for 6, 7 or 8 cents, that the creditors would have to pick it; that they (the tenants) had no money to pay for the picking.

(5) All the governor has done so far has failed to relieve the producer.

Farmers will send a telegram to-day to President Wilson, from Bloomer.

I am sending telegram to Mr. Jacoway to-day.

Yours, truly,

DR. GEO. L. SANDS.

Here is a telegram from Alma, Ark.:

Cotton selling at 7 to 7½. Farmers unable to secure loans on cotton. Can secure no extension of debt from either merchants or banker. Letter follows.

There is no help for the poor fellow. He is asking in regard to himself and his neighbor.

Here is one from Clinton, Ark., up in the mountains:

CLINTON, ARK., September 18, 1914.

J. C. FLOYD, Washington, D. C.:

Positively no market for cotton. A few bales reported at 7 cents for middling cotton. No loans being offered by bankers to farmers on cotton security.

O. P. NIXON.

No market; no loans; 25 miles from the railroad; and in the heart of a big cotton section.

Here is a telegram from a place in Jeffreson County, Ark., where they raise nothing but long-staple cotton:

VARNER ARK., September 18, 1914.

HON. S. M. TAYLOR, M. C.,

Washington, D. C.:

There is no established price yet on middling cotton loans. Can not be secured from banks on any kind of security. Would not know from whom or where to borrow a dollar on cotton or other gilt-edge security. Merchants are all clamoring for their money. I have not seen just such times in this country for the past 30 years. Those who were fortunate enough to secure loans within the last 30 and 90 days had to pay 10 per cent.

R. R. RICE.

Now, I am going to read you a letter from a man who claims to be the biggest cotton farmer in the world. If you think you know of somebody else who is the biggest cotton farmer in the world, just listen to this man. I think he claims to have about 12,000 or 13,000 acres in cotton:

NEW GASSONY, ARK., September 18, 1914.

HON. S. M. TAYLOR, M. C.,

Washington, D. C.:

Replying to your message of this date, beg to say no middling cotton on market. Offered 8 to 8½ cents for strict to good middling 1½-inch cotton. Local

bank extending all help possible, but their funds are limited. The farmers' warehouse, S. C. Alexander Co., are charging 9 per cent interest and say they can not loan money on cotton to be stored. Only making advance on cotton that is for sale. Other warehouses take same position. No money being advanced on cotton to be held in storage. Farmers holding back ginning and marketing cotton. Very little cotton offered for sale. Merchants and bankers are forced to extend time. No definite dates for paying them made. I do business with the Simmons National Bank, and they offer to carry my account at 8 per cent and extend all needed help. The buy-a-bale movement is sweeping over the country and helping to boost the price.

J. M. GRACIE.

There is no doubt that as far as it has gone it has helped to boost the price. This man is perfectly able to take care of himself. It is natural that he should have help. Notice what he pays for it, and that his high-priced cotton goes at a sacrificial price.

Here is a letter from Tucker, Ark.:

TUCKER, ARK., *September 18, 1914.*

Hon. S. M. TAYLOR, M. C.,

*Washington, D. C.:*

We are offered around 8 cents for middling hill cotton. Few, if any, applications have been made yet for loans. Farmers distressed about the condition. practically no cotton sold yet. Will write you particulars Monday.

D. E. NIVEN.

Here is one from Forrest City, a wealthy center:

FORREST CITY, ARK., *September 18, 1914.*

Hon. T. H. CARAWAY,

*Washington, D. C.:*

Seven cents for middling cotton. No loans available. Farmers and merchants' debts now due, and no extensions offered.

F. W. DE ROSSIT.

Here is one from Jonesboro, Ark., an educational, manufacturing, and railroad center, and a very rich country:

JONESBORO, ARK., *September 18, 1914.*

T. H. CARAWAY, *Washington D. C.:*

Am offered 7½ cents for cotton here to-day. Can get \$10 to \$35 per bale advance from Memphis commission houses. Eight per cent interest until ordered sold by producer. Can not borrow from banks on cotton. Merchants advance picking by taking bale and shipping and drawing against same. Can not get merchants to take cotton and hold same against customers' indebtedness, except allow merchants to ship to commission houses, getting its advances.

E. L. CARAWAY, *Manila, Ark.*

Now, that is from a center of strong banks and strong wealth.

Here is one from Lake City, which is in the low country, about 30 miles northwest of Memphis, but the writer quotes a Memphis market.

JONESBORO, ARK., *September 19, 1914.*

T. H. CARAWAY,

*Washington, D. C.:*

In answer to your message, middling cotton, in Memphis, 8 cents. (If you have rating can draw \$25 per bale; interest 8 per cent.) Merchants and banks must collect 50 per cent by the first of the year or suffer. Balance may be collected over.

WILLIAM CRADDOCK, *Lake City, Ark.*

WHITESBORO, TEX., September 19, 1914.

HON. WOODROW WILSON,  
 HON. W. J. BRYAN,  
 HON. WM. MCADOO,  
 HON. A. S. BURLESON,  
 HON. SECRETARY HOUSTON,  
 HON. MORRIS SHEPPARD,  
 HON. SAM RAYBURN,  
 HON. R. L. HENRY,  
 HON. H. S. MOBLEY,

*Washington, D. C.*

GENTLEMEN: Be it resolved by the Belsher Local Union, No. 1058, of the Farmers' Educational & Cooperative Union of Texas, in call session, owing to the condition of the producers of cotton brought about by the war prevailing in Europe, we most urgently ask the Congress of the United States to pass what is known as the Henry bill. That the producers of cotton without some relief will be reduced to a state of actual suffering.

That there is to our actual knowledge a conspiracy among some of the merchants of this section and the speculators in cotton by refusal to grant further credit for necessary supplies to force the producers to sell their cotton at the present ruinous prices, namely, 8.3 cents per pound, middling basis.

As evidence of this conspiracy the entire merchants of Sadler, Tex., have joined in a circular letter to all their customers that their books have been closed and that no more credit will be extended. That the proof of these facts has been made before said local by members who have seen and read said circular letters.

We further believe that one or other of the banks of Whitesboro, Tex., is loaning money to speculators to buy distressed cotton, and we further urge that the Congress pass laws to curtail the production of cotton the coming year.

Respectfully submitted,

R. H. GREEN, *President.*  
 J. L. MORRIS, *Secretary.*  
 L. C. MILLS,  
 S. D. STEEDMAN,  
 A. F. WATSON,  
*Committee.*

Gentlemen, I have other letters and telegrams, but they are all along the same line, except that one from the diamond field. Every letter and every telegram I have received have not only justified the position I have taken, but have absolutely proven beyond any doubt that no man in Mississippi, Arkansas, Louisiana, Georgia, and other cotton States of the South has any certainty that he can extend the time for the payment of debts or that he can receive a fair price for his cotton or receive a loan on it to enable him to hold it for a price that equals its cost to him.

Mr. HENRY. If it would not be out of order, I would like to ask that Mr. Mobley be allowed to pick out a few telegrams that are pertinent and submit them to the committee.

The CHAIRMAN. There is no objection to that.

Mr. MOBLEY. Here is the position that we assume in asking for direct aid to assist us: We have tried to be contented and have waited and given ample time for the indirect aid to reach us and benefit us, and now we have brought you what we believe to be proof at first hand from the men in this bad fix, that the aid has not reached them, and so we ask for direct aid as the only way that we can see to reach those men and benefit them. There are others among you who have different ideas, but I want to say this about the farmers' union idea, and I represent that organization as spokesman, with all due respect and good feelings toward everybody else's opinion, that you can not relieve our situation in any other way than to give

us direct aid. We do not believe it is hard-headedness; we do not believe it is wild; we do not believe it is even new in theory in dealing with agricultural problems. It may be new in America, but some one has said that the world is old and her experience is helpful in examining new theories, and the old agricultural world has said that you must give agriculture its separate relief. I want to say that, with the exception of one or two systems of rural finance, not one of them has given any relief without direct aid, and we are standing upon the old fundamental principles of agricultural finance when we ask you for this relief.

The CHAIRMAN. We are much obliged to you, Mr. Mobley.

Mr. BULKLEY. I would like to ask a question. Before doing so, I want to digress long enough to congratulate you, Mr. Mobley, on making one of the best statements I have ever listened to before this committee. I think it is a very clear, fair, and sound statement. Now, I want to ask you this: You have shown the distinction between the short-time credit and the longer-time credit, and I think that you have hit the nail on the head when you say that the reason the banks can not help the farmer, when there is an emergency, is because they are afraid to let their money go out on what might prove to be a long-time loan. Now, this bill, introduced by Mr. Henry, proposes the issuance of Government notes which are redeemable on demand in gold. Is it not undesirable for the Government to put itself in the position of assuming direct obligations payable in gold against a security which may run for a long time?

Mr. MOBLEY. I understand that if we were asking for notes payable on demand, secured by cotton on a long-time loan, that, under ordinary conditions, we would be asking a thing that would not be soundly scientific. However, I do not want to go into that phase of it now. I do not want to go into it at all. Before I take up that line of argument I want to say this: We believe that if we can prove to you gentlemen that relief is needed, then, though what we propose may not meet your approval, you will give us some relief.

Now, I am coming back to your question. From a commercial banker's view point—I do not know whether you are a banker or not—you are absolutely right. From the established precedents of commercial procedure, as I understand it in this country, you are absolutely right. But—if you take our position that we are agriculturists, that we have an agricultural commodity that is more necessitous than anything that can go behind a dollar anywhere, and that we are willing to put this commodity up behind the dollars—if you give us \$30 a bale for our cotton we are giving you 100 per cent security on a world necessity which we believe is better than gold. We believe it and we know that the world realizes it. In other words, Mr. Bulkley, we are making our plea from a scientific standpoint, from an agricultural standpoint, not from a commercial standpoint.

Mr. BULKLEY. I think you see the distinction between a security being ultimately good and immediately available. Now, if those notes were proposed to be redeemed in cotton there would be no objection; but when you propose that the notes shall be immediately redeemable in gold, I would like to see some way to get the gold to pay them.

**Mr. MOBLEY.** We believe that we see the way, not on demand but ultimately. We think the Government ought to put up bonds or adopt some other method to get the gold to pay the notes with. We believe that half of our year's labor in the South has been wiped out by this war. We believe that we have raised \$1,000,000,000 of stuff in the South and now we can not get more than \$500,000,000 for it. We believe that if soldiers actually marched through the fields, putting the torch to the farmhouses and ginhouses, tearing up the railroads, and raiding stores; in other words, if an army of soldiers had gone into that country and wrought that devastation and havoc, that there would not have been asked one technical question in regard to giving those people relief. The situation of the South in regard to cotton is exactly in that state. Possibly one-half of this year's work has been absolutely wiped out.

Now, I am not getting away from your question; I am trying to get back to it. We are putting this in an extraordinary way, not as a matter of charity, but as a matter of business, because when that one-half of our wealth is suppressed we know from past history that when it does spring up again it is going to bring in the gold that the commercial bankers want. So we say that the Government can pledge its credit until the time when it can bring that gold back, because when we sacrifice it the commercial banking system sacrifices its opportunity to bring that gold back to us. We believe that when we use our cotton as collateral we are actually putting gold behind every dollar, two dollars for one.

**Mr. BULKLEY.** As far as that goes, I am inclined to think that the security would be good, but when the notes come in for redemption they have got to be redeemed to save the national credit. You say it will bring gold ultimately, and I am inclined to think it will, but your notes will come due long before that time.

**Mr. MOBLEY.** We acknowledge that, but in the interim between the time of the making of the notes and the time when the notes become due, the Government has got to adopt an extraordinary measure and put its credit behind it.

**Mr. BULKLEY.** But its credit might not be enough; it may have to have the gold.

**Mr. MOBLEY.** Then let them sell bonds and get the money.

**Mr. BULKLEY.** Then that is all right.

**Mr. RAGSDALE.** As I understand you, just as the Government at the present time, on account of warlike conditions, availed itself of the right to tax to meet those conditions, whenever it finds the necessity for gold, it can either sell bonds or impose a tax, and you believe that that condition of affairs has now arisen in the South when the Government ought to use one of those prerogatives?

**Mr. MOBLEY.** Yes, sir.

**Mr. WINGO.** Is it any more the duty of the Government to provide a gold reserve and redemption fund for currency issued to relieve the distress in the commercial banking and manufacturing world than it is to provide a gold reserve and redemption fund for the issuance of the same kind of currency to relieve the distress in the agricultural districts?

**Mr. MOBLEY.** That is a clear summing up of what I have been trying to say. We have been trying to heal this situation in the best possible way.

**Mr. RAGSDALE.** Is not your opinion this: We have provided emergency currency for the commercial world which the Secretary of the Treasury says may be used up to an extent of over a billion dollars?

**Mr. MOBLEY.** Yes.

**Mr. RAGSDALE.** If Congress has seen the wisdom of providing that much currency to relieve commercial distress and believes that the Government is able to get the reserve and redemption fund for the commercial world, do you not believe that the same wisdom and the same Government credit could provide a reserve and redemption fund for the agricultural situation?

**Mr. MOBLEY.** Not only it could, but whenever it deals with agriculture as thoroughly and squarely as it has dealt with commerce, it will do as you say.

**Mr. LINDBERGH.** I want to inquire if you have any realization of the amount of deposits that are in the banks, made by the farmers themselves?

**Mr. MOBLEY.** Well, no, sir; I do not know. I confess frankly that I do not. Do you know?

**Mr. LINDBERGH.** Up in my section of the country nearly half of it belongs to the farmers, and that money is being diverted into speculative and commercial channels and the farmers are unable to get it.

**Mr. MOBLEY.** If the cotton raising farmer of the South had any cash left over after paying for storage and other expenses, he might have some money to put in banks.

**Mr. RAGSDALE.** The question was raised that it might be unsound from a commercial standpoint to provide notes that might become due at any time, because of the inability of the bank to raise the gold. That would not be true if the Government handled this proposition, the differentiation being that the Government has the power to impose a tax or to sell bonds.

**Mr. MOBLEY.** Yes, sir.

**Mr. RAGSDALE.** That is why you think it should be laid on the Government's shoulders?

**Mr. MOBLEY.** Yes, sir.

**The CHAIRMAN.** We thank you, Mr. Mobley. Mr. Brooks is the next gentleman on the list.

#### **STATEMENT OF PROF. T. J. BROOKS, OF THE AGRICULTURAL AND MECHANICAL COLLEGE, MISSISSIPPI.**

**Prof. Brooks.** Mr. Chairman and gentlemen of the committee, I am not here as a private citizen, but as the spokesman of the organized farmers of the United States. We are facing a crisis for which neither nature nor this Government is to blame, but the crisis is none the less real for others being to blame.

The requirements for getting currency under the Federal reserve act is substantially as follows: When current funds are exhausted a Federal reserve bank may put up as collateral "prime commercial paper," which the Federal Reserve Board must approve, and secure Government Treasury notes up to the prescribed limitations—fixed by the Federal Reserve Board—and loan these notes to the member banks, which in turn loan to individuals. The Aldrich-Vreeland

Act has never amounted to anything. The recent amendments, giving it a new lease of life, sought to bring it into play during these days of transition, but that it will not meet the present emergency is quite evident unless further legislation is secured. All banks can not join the association for which it provides, and the banks thus excluded are the very ones closest to the people who at present are in need of help. Only 30 per cent of commercial paper accepted could be used to finance crops.

It is arbitrary with the banks whether they use the emergency currency which they may obtain under the Aldrich-Vreeland Act to take care of their ordinary business or use the Government money at 3 per cent to pay their own 6 per cent debts. Many State banks which might become national banks and many national banks which might enter the currency association—under the law thus given one more year's lease of life—and thereby secure emergency currency equal to 125 per cent of their capital and surplus are not doing so.

#### BANKS CAN NOT MEET THE EMERGENCY.

Our banks can not meet the emergency which has arisen. Our banking laws provide for commercial banking and not for agricultural banking—and this is primarily an agricultural crisis. We need financial aid that commercial banking can not supply.

We have four groups of national banks:

1. Those located in central reserve cities—New York, Chicago, St. Louis—about 50 in number.
2. Those in reserve cities—about 309, located in about 47 cities.
3. Those located elsewhere are termed country banks—about 7,133 in number.
4. The Federal reserve banks, numbering 12.

Any city of 50,000 population may become a reserve city upon application of three-fourths of the national banks doing business in said city.

Any city of 200,000 or more population may become a central reserve city upon the application of three-fourths of the national banks doing business in said city. These applications must be approved by the Comptroller of the Currency. The Federal reserve act did not change the reserve cities or central reserve cities.

Section 13 of the Federal reserve act reads in part as follows:

Upon the indorsement of any of its member banks, with a waiver of demand notice, and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of this paper thus eligible for discount within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discounts; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days; *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not to exceed six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.



This paragraph shuts out real estate security and limits loans on agricultural products, no matter how staple and nonperishable, to six months, so far as the Federal reserve banks are concerned—and they are the only ones in position to secure rediscount privileges under the Federal reserve act. Note also that the Federal Reserve Board may “ascertain and fix” the percentage of the capital of the banks which may be covered by these discounts.

We have persistently refused to recognize the fact that agriculture needs a separate banking system from the commercial world. What would commerce do if it had to rely on rural-credit banks? Bankruptcy, such as has not been heard of, would follow. It is just as absurd for agriculture to depend on commercial banks. The average length of time of agricultural turnover is two years—taking in the departments of crop raising, fruit raising, and the live-stock business. The average time of turnover in the commercial world is about three months.

The banks have already financed the making of the crop and owe money in New York, which make it impossible for them to meet the present emergency. The farmers, in the main, are served by State banks. There is no law linking together the National and State banks so as to enable State banks to demand emergency currency and secure adequate rediscounting privileges. We have 18,000 State banks and only 7,400 National banks. The ordinary demands on commercial banking preclude the possibility of our banks, as now constituted, taking care of the present crop on terms which must be demanded if material help is to be had. We want to emancipate the banks themselves—the smaller banks—from the terrorism of coercion of the big banking interests, and we wish to relieve business as well as agriculture.

In the first place we want the privilege of renewal without increase of interest rates.

In the second place we do not want to be victimized by usury, which would take advantage of our necessities.

In the third place it will take more money if the crops are carried with current funds than the banks are in position to supply at rates which farmers can afford to pay. According to the Secretary of Agriculture farming only pays 5 per cent. When the majority of farmers pay more for capital they are on the road to bankruptcy.

What shall we do?

We might do nothing and sacrifice from two to three hundred million dollars in bankrupt sales of cotton alone.

The banks might come to the rescue as far as they are able and advance money up to about 8 cents at 6 or 8 per cent.

The Government might loan at a low rate direct or through banks.

The Government might valorize by purchase at uniform prices for the various grades.

Ours is not an ordinary situation. The Government advances money to certain banks which meet certain requirements and charges for such currency different rates of interest. It now has seventy-five and three-quarter millions deposited in the national banks, for which it receives interest at 2 per cent. It proposes under the Aldrich-Vreeland law to issue to bank associations at 3 per cent plus.

The farmer has never been allowed to get in on this deal in a way that meets the demand of agricultural transactions.

Seven European nations are slaughtering each other and have paralyzed the industry and commerce of a hemisphere. In the meantime some one must perform the carrying functions of our surplus, which under normal conditions would go abroad immediately. The question is, Who is to perform this carrying function? The majority of farmers are not able to carry it. The ordinary business man is not in position to perform the duty. He is pinched because the farmer can not pay his obligations. Business is paralyzed if the farmer does hold on his own resources, as he is thus unable to spend the money which his crop would bring to pay debts and make new purchases. If he could get the money business would revive. Speculators should not do the carrying, as that would mean that producers would be forced to sell at bankrupt prices to the speculators, and the speculators would be compelled to drain the banks for cash to buy and hold the surplus.

Funds can be deposited in the State and National banks as provided in the Henry bill and made available to the producer and the ordinary business world would not be disturbed. The farmer would not be gouged by exorbitant rates on money he must borrow to hold it. The banker would get his flat fee of 50 cents per bale and that would be the extent of his charges regardless of the length of time the loan continued, and the interest profit would go to the Government.

Sixty-three per cent of our export of prime agricultural products is cotton—over half a billion dollars per year. It is only the export excess that the bill provides that the Government undertake to help carry temporarily.

Suppose your salaries were taken from you and you could find no market for your brains—you might feel a little different about this. I know what it means to see a mother and sister work in the cotton fields—pardon me if I feel intensely on this subject. You can throw a thrill of patriotism throughout this country as has not been done since the flag was unfurled among the countries of the world.

This is done in France and Russia.

Redemption can come by sale of bonds or postpone the date of redemption.

Gentlemen, it might cause us to look at this a little differently if it came home to everyone of us just as it is coming home to the average man who does the actual labor of producing this cotton. If every Member of Congress were to be deprived of his salary and not be in a position to market his brains, he might feel a little different from what he does at present; and that is virtually the condition of these farmers who have worked and produced this commodity for which there is no market.

This advancing of money by the Government on warehouse receipts is not a thing which has not been tried. France has done it; even Russia has done it.

I had a private talk with a member of this committee, whose name I shall not mention, in which I asked him this question: "If monarchical governments can step down and do things for this poor man that the United States Republic refuses to do, which will appeal to that class of people as his better friend, the monarchical government or the republic?" He said, "Candidly, I believe a monarchical government is better for that class." I said, "Why do you not say so?" He replied, "We have not the moral courage." That was his answer.

The CHAIRMAN. Who said that, Doctor?

Prof. BROOKS. I did not call his name. We were talking privately and I do not wish to reveal his name, but if we believe that we can be a friend to this poor man as well as a monarchy can, then now is the time to express that feeling. You have got the chance right now. I do not know how many times you will have to turn down a plea like this before that class of our people will begin to lose faith in this Government as being their friend. I do not know how extensive that feeling would be if they were turned down in this instance, but I do know that if this request is granted that there will be nothing that has been done by any Congress since we have had a Government that will cause such a thrill of patriotism to go through this Nation from one side to the other as will that. [Applause.] I know that, right or wrong.

This is not a sectional measure; the Nation's welfare is at stake.

#### OBJECTIONS.

The double charge that this bill is class and paternal is made by its opponents. Men will vote and work for class and paternal measures year in and year out so long as they indorse the measures, but let a measure be suggested that they do not indorse, and it is at once paternalistic and therefore very obnoxious. This Government has been passing paternalistic and class laws ever since it has been a Government. Members of Congress of all political parties and alignments have supported these measures. We have precedents in the many protective tariff laws—even the one we have now is not without protection. The Government has thousands of employees. When it needs one no longer he is discharged and that is the end of it, with one exception—if one serves in this particular capacity and he is needed no longer if he got any damages during the service he is placed on the pay roll without further service, and if he dies we put most of his closer kin on the pay roll for honor's sake. And Democrats do this just the same as Republicans. In the past we have given bounties from the Treasury to the sugar producers. We have kept in bond whisky for the distillers. We gave enough land to railroad companies to make 13 States the size of Indiana. As they could not sell this land immediately they issued bonds to secure money, and the Government indorsed the bonds to make them sell. We coddle our so-called coastwise shipping trust by keeping out the ships of all other nations and giving our own a complete monopoly. We saw a neighbor to the south of us in trouble; we got very much concerned; we declared war, we fought, defrayed the expenses, and then freed the people without asking for thanks or favor. This was the high-water mark of patriotism, the Good Samaritan war that set Cuba free. As one of the fortunes of this war we secured the Philippines. The Federal Government does not appropriate money for educational purposes at home, but it sent ship loads of teachers to those far-away islands to teach heathens the ways of civilization. We heard the cry of distress over in Italy because of the devastations of earthquake, and we responded with Government appropriation to aid the suffering in foreign lands. We heard the cry of distress in Galveston, and we answered again.

We cared for Mexican women and children refugees during the recent struggles in that distracted country without a thought of recompence. We had a panic in the fall of 1907, and we took millions out of the National Treasury and poured it into the New York banks to break the panic. We buy millions of dollars worth of silver and issue it in the form of stamped coins worth commercially about half its face, and thereby boost the price of silver. Every summer our well-to-do seek pleasure and diversion and information in foreign lands. When this European war broke out thousands of our citizens were inconvenienced and unable to make proper exit from the troubled nations. We post haste appropriate millions and send across the ocean seeking our fellow citizens that we may wrap the folds of the glorious Stars and Stripes around them and bring them safely home. Now we hear the distress of thousands—nay, millions—of our wealth producers who are suffering from the effects of this war, for which they are not responsible. They do not ask any gifts from the Treasury, but that their wealth be the security for the Government to hold and tide over a panic a thousandfold more intense and distressing to them than was the panic of 1907. Between the suffering tourist and the suffering toiler, will you make a distinction in favor of the former?

There is no vote you would cast that would lighten the hearts of as many people upon whom we depend for our existence and make them feel that this Government is truly their friend as to vote for a measure that will accomplish the purpose of this bill.

Without taking your further time, gentlemen, I submit these remarks for your consideration, and I am ready to answer any questions you wish to ask.

The CHAIRMAN. We are very much obliged to you, Doctor, for your remarks.

Prof. Brooks. I thank the committee.

#### STATEMENT OF DR. H. Q. ALEXANDER, MATHERS, N. C.

Dr. ALEXANDER. I am here at present representing the organized farmers of North Carolina as the State president of the North Carolina Farmers' Union.

Mr. Chairman and gentlemen of the committee, I think I might preface my remarks by saying that I indorse practically all that has been said to the committee. I indorse the bill read in your hearing and explained by Congressman Henry because I believe it will relieve the situation, and I am going to outline just briefly the situation as I know it to be in North Carolina, because I have been nearly all over the State recently.

More than 50 per cent of the cotton in North Carolina is made on credit, financed on time by the time merchant. You might ask me why that is so. My answer to that would be that it is so because this great National Government of ours has failed to make adequate provision in its banking laws for agriculture. That is why it is so. It has provided a financial system that meets the needs of commerce, of manufacture, and of transportation, but certainly does not meet the needs of agriculture. For that reason the farmer has not been able to obtain finances to finance his crop before it was

made, and therefore he fell into the hands of the time merchant, and more than one-half of the cotton crop of the South is made on credit. More than one-half of it is made by the tenant class, too. You might ask why that is so. That is true largely because of special favors shown by the Government to manufacturing and other business enterprises, and as a result men have left the farms and gone to the cities, and left the lands in the hands of the tenant class of people. I am reciting conditions as they are leading up to the present emergency.

As has already been stated, we have seen how salaries—I will speak of it as a salary, because you gentlemen draw a salary—we have seen our salaries cut in two within the last 30 days, and that for no fault of our own. We see confronting us distress and want for thousands of women and children in the South unless some means of relief is found. Now, to whom should we go?

We go to the head of our Nation, to our own National Government, because we are citizens of this Government in the first place, and, in the second place, because this National Government under the Constitution of the United States claims the sole prerogative of controlling the finances of our country. Under the Constitution the National Congress alone has the power to coin money and to regulate the value thereof. In my opinion Congress has violated the Constitution, in that it has delegated the power to regulate the volume of the circulating medium, which means the power to regulate its value, practically speaking, to private individuals and corporations known as the national banks; and in doing that it has discriminated against the great masses of the people of our country and conferred special privileges on a small class of our citizenship. However, understand I do not blame you gentlemen for that, but I would have cause, I think, to criticize you if you fail now to do all that you can to relieve this situation that has come about largely because of the discrimination and class legislation that has gone on heretofore.

We look to the administration in Washington for relief. A conference was held with the Secretary of the Treasury. He availed himself of the legislation that already obtains, known as the Aldrich-Vreeland Emergency Act, to provide emergency currency to meet this emergency. I think that he honestly believed that it would meet the emergency. I believe the Secretary of the Treasury was honest in stating to that conference, which had representatives from all the Southern States in it, that it would meet the situation. I am here to report to you that in my State of North Carolina that which has been done has utterly failed to meet the situation. It has proved totally inadequate. In fact it has brought no relief, gentlemen, and there is no use in trying to evade that fact; it has brought no relief to the situation, to the farmer who is distressed. That argument was made before the Secretary at the time of this conference, that unless you make it possible for the banks, the local banks of final distribution, to avail themselves of this emergency currency that they may put it within the reach of the farmer, it will not meet the conditions. That argument was made at that time. To that the Secretary answered that if the money was put in the national banks, the money centers, you can not keep it from going

into the channels of business. But it has kept itself from going there, or the bankers who got it have kept it from going there, because it is not there now, gentlemen. I have letters, or had letters before leaving home, from a number of State bankers in North Carolina asking me if I could suggest to them any way in which they could obtain the money; one of those small banks stating that if it was assured of being able to get emergency currency that it would build a warehouse and take care of the distressed cotton of that country. Of course, I was unable to give them any satisfactory answer to their question. They stated that they were unable to borrow the money from their corresponding banks. It was stated by one of the largest State banks in North Carolina in open conference two or three weeks ago at Raleigh, that he had tried to get money from the national bank wherein he had kept a deposit of \$30,000 or more during the summer, and had failed to get one dollar. Since that time I know that that same bank sent a man to New York with \$200,000 of the very best security, signed up and indorsed by men who represented not less than \$2,000,000 of wealth, perhaps, and put in a week in New York trying to get \$100,000, but did not get one dollar. He tried first in the national banks of North Carolina, but could not get it.

The question was put to Mr. Joseph G. Brown, of Raleigh, who is chairman of the National Currency Association of North Carolina, a few days ago, whether there was available emergency currency in North Carolina sufficient to finance one-half of the cotton crop of North Carolina. The answer came without a moment's hesitation, "No; there is not."

Another prominent banker in the State was asked a day or two ago if he thought the relief provided was sufficient to meet the emergencies of the occasion. He answered without hesitation, "No; it is not a drop in the bucket."

What are they doing with the money, those who have obtained emergency currency? I do not think it would be difficult to prove to you that they are using that money to pay their own obligations in New York; their own borrowings in New York. Heretofore, under normal conditions, our banks have had no trouble to obtain money when cotton began to move, because cotton always brings money; but cotton is not moving now because there is no market for cotton, so they are taking the money that the Government has tried to provide to relieve the condition of the farmer, and they are paying off their own obligations in New York, and the State banks, going to New York, can not even get that money, which is probably emergency currency; even through New York they can not get it. So there has been nothing done as yet.

We do not come, as I said, as beggars asking alms at all. We have a right to come here and demand—I say demand, and I say it advisedly—because we are a part of the citizenship of the United States, and the most important part of it, too, the agricultural class, because that class creates the raw material which is the basis of all wealth and of all the industries of this country, and without which we would not have any industries.

As I said a while ago, since the Government alone has the prerogative of coining money, of issuing money, although it has dele-

gated that power to the national banks, yet it is the duty of the Government to see that its organized agencies discharge the duty that it has conferred upon them, and it is up to Congress, as I see it, to either provide direct relief by the legislation which we have asked in the Henry bill, or else compel your agencies, as already organized, to do their duty to the public and furnish this currency when good security is put up for it. And we do not ask it on any other grounds.

I do not know that I need say anything more. I think it is just up to Congress to do or not to do. I believe that if you do your duty by a large part of the citizenship of this country you will pass this bill or some other measure that will give relief. I will go further and say that if this administration had passed the right kind of a rural-credit bill as soon as it came into power and had at once gone to work to put it into operation, we would have been prepared largely to meet this emergency; or if this administration had put the Federal reserve bill into operation—and it has been nearly a year since it was passed and those banks are not organized yet, and I should like some one to say why. I was told here a few weeks ago that the reason of it was that the large New York banks were opposing the organization of those Federal reserve banks; that they did not want them organized and were going to do all they could to prevent them from being organized. If that is true it would seem that the banking interests of the country are more powerful than the National Government, than Congress. I am not willing to admit that yet, although they have dominated Congress to a large extent, the money powers have. But that is the impression that is going out over the country now, that those banks have not been put into operation because the large national banks do not want them put into operation. That would have helped the situation, too, if they had been put into operation at once instead of all this delay.

The CHAIRMAN. Have you not read the newspapers, Doctor, and do you not know that for months the confirmation of the President's nominees to the Federal Reserve Board was held up in the State?

Dr. ALEXANDER. Yes; and I do not indorse the Senate's action in holding it up at all.

The CHAIRMAN. But that indicates that the delay was not occasioned by any organized efforts of the banks anywhere to prevent the organization.

Dr. ALEXANDER. It has been more than a month, though, since those members of the board were confirmed.

The CHAIRMAN. And it is a tremendous task to organize a Nationwide, revolutionary banking system.

Dr. ALEXANDER. I suppose so.

The CHAIRMAN. The Federal Reserve Board has been in session day and night, and my information from the board—in fact the information given this committee by the Secretary of the Treasury and by members of the board last week—was that the system would be put in operation perhaps by the 15th of October.

Dr. ALEXANDER. I hope it will be.

The CHAIRMAN. It may be true that the big banks in New York are opposed to it, but I do not think it is true that they will make their opposition at all effective.

Dr. ALEXANDER. I hope not, but I heard that here two or three weeks ago.

Mr. HAYES. Is it true?

The CHAIRMAN. I do not think it is.

Mr. HAYES. I think the banks are in favor of it, so far as I have heard of them.

The CHAIRMAN. Some are; some are not.

Mr. HAYES. There may be individuals opposed to it, but I mean as a whole.

Dr. ALEXANDER. Gentlemen, I hope that Congress will find a way to provide relief for the distressed condition. There is no doubt about it; it is a condition that is going to be far worse than it is now.

In a conference with the North Carolina delegation and with Senators a while ago, one of them asked what the people will do to help themselves. I want to say that I have never seen men make a more determined effort to meet the situation than the farmers are doing in my own State of North Carolina. They are holding their cotton; they are holding to it with grim determination—like grim death, as you express it usually. But the crisis has not yet been reached, because the debts are not yet due, but they will be due now in a short time, when they are going to be forced to sell that cotton to meet their obligations.

Now, you might ask why the banks of North Carolina and of the other States, too, are not making use of the emergency currency for the purposes for which it was intended. The explanation of that is this: The bankers are owners of cotton, and the spinners and the bankers are linked up together in this way. They are going to take care of the spinner first. There is not any doubt about that. They are human, just as we are. I do not blame them. They are going to take care of the spinner first, and the spinner expects to buy that cotton for, perhaps, 5 or 6 cents a pound.

The question of valorization came up in the conference with Secretary McAdoo, and that, to my mind, is the keynote to the situation. Who is going to valorize cotton? Cotton heretofore has been valorized in that there was a market for it; always a market. The market valorized cotton. But now the market is destroyed. We have no market at all. The appeal was made to the Secretary of the Treasury that the United States Government ought to valorize cotton, because it was the only factor or institution that was sufficiently large to give confidence to its action. But the Secretary of the Treasury did not do it. Then the banks were appealed to to valorize cotton with a loan value. They have not done it, and I do not blame them. They will not even agree to loan 5 cents a pound on cotton, and I have put that proposition to several of them. They admitted that they had plenty of money, but they will not agree to advance 5 cents a pound on cotton as a general proposition. They do promise individually to take care of their own customers as much as possible, but that is not taking care of the small farmer and the tenant class that is going to suffer distress and loss and ruin if something is not done for him.

The mill men refuse to valorize cotton with a purchase value, because, as I said, they expect to get it for less in a short time, and will unless something comes to the rescue. That question of valori-



zation is one that they are all evading. To my mind the Government ought to put a valuation on it, because it has valorized other things. I think I am correct in saying that the National Government has valorized gold bullion as far as the power of one Government is capable of valorizing it. It has put a coin value on gold. I think it came to the rescue of the silver-mine owners a few days ago, as was stated here to-day, and valorized silver. I do not see why it should not come to the rescue of the southern cotton farmer or the southern tobacco farmer or the producer of any other agricultural commodity which is threatened with destruction, you might say, to its producer—why the Government should not come to the assistance of these distressed commodities.

That is all that I care to present before the committee, I believe. I do not believe the States can meet the conditions. In our own State the people, the farmers' union in our State, is now canvassing North Carolina with blank petitions; they were sent out to-day to every cotton county in the State, pledging every farmer to hold his own cotton for 10 cents a pound, if possible, or as much thereof as he could; also that of his tenants. We are endeavoring to get them to sign that pledge and not to sell for less than 10 cents a pound. Another pledge was on the plan of the "buy-a-bale" movement, to get every man, of whatever calling, to buy one bale of cotton at 10 cents a pound, and hold it until the market went to 10 cents. Another plan was to get merchants and bankers to agree to carry accounts and notes, where cotton was put up in the warehouses, and receipts put up as collateral to secure those accounts and those notes; to get every business man that would to sign a pledge to that effect. Another was to get every time merchant in the cotton counties to sign these agreements or pledges that they would accept cotton on account at 10 cents a pound. That is the effort that is being made in North Carolina now among the people themselves, that work is being carried on; it was started to-day by the farmers' union, and we are going to make a thorough canvass, so we are doing all we can ourselves, and God helps those that help themselves. I hope Congress will be equally as good to us.

Mr. WILSON. I should like to ask the gentleman a question.

Dr. ALEXANDER. Do not ask me technical questions now.

Mr. WILSON. I want to ask you frankly a question.

The CHAIRMAN. Nobody would desire to embarrass you.

Dr. ALEXANDER. I know that.

Mr. WILSON. I want to know if you think, should Federal reserve act go into effect as quickly as this proposed measure might, if in your opinion it would give sufficient relief?

Dr. ALEXANDER. I do not think it will unless the Secretary takes some steps to compel the banks to carry out his purpose.

Mr. WILSON. Has he not authority under the law? Of course he can do nothing but what the law provides?

Dr. ALEXANDER. If the law is deficient in that particular, then you had better amend the law, unless you can provide something else.

Mr. WILSON. I am not asking this in a spirit of criticism. I am asking it to get your opinion.

Dr. ALEXANDER. I do not believe it will, because, as I said, the banks are going to take care of the manufacturer first; and, as I said

a while ago, they are paying off their own obligations in New York. I do not believe the small banks of North Carolina have any money. They have financed the making of this crop, and it is time now to pay up their own obligations, and usually they have been enabled to do that, because cotton went on the market and brought in the money and they were able to pay off their own obligations and save their profit; but cotton is not moving now, consequently they are loaded up.

Mr. WILSON. I know the situation, because I am from a cotton State myself.

Dr. ALEXANDER. A banker from North Carolina told me here today that 90 per cent of the small banks were just carrying every bit they could right now. Well, the large banks will not advance to them. That is what they report to me.

Mr. WILSON. But the precise question I want to know is this, if the Federal reserve act, which will be in operation in a short time—before this bill can become a law in any event—if it is in operation, will it relieve the situation without this act?

Dr. ALEXANDER. No; I do not think so.

Mr. WILSON. You do not think so?

Dr. ALEXANDER. No, sir.

Mr. SMITH. In the cotton country what other products have they?

Dr. ALEXANDER. Cotton is their only money crop in the cotton counties. Some of our cotton counties are also tobacco counties and peanut counties. In those counties they have three money crops. That is true only of a few counties.

Mr. SMITH. The same farmer diversifies and raises the three crops?

Dr. ALEXANDER. Yes. That brings to my mind another question that may arise in the minds of some of you, and that is why the farmers grow cotton on credit instead of raising a home food supply. The large bulk of the cotton crop is grown by absentee landlords under the tenant system. The small landowner who lives on his farm and cultivates it himself makes his cotton or his tobacco his surplus crop and raises his food supplies, and that class of our farmers are in good circumstances. They are not worried about the war. But, as I said at the outset, more than one-half of the cotton of North Carolina, and I expect two-thirds, if not three-fourths, of the cotton crops of the South, is made by tenants. I would say that two-thirds was made by tenants.

Mr. SMITH. It is this tenant class you want to help?

Dr. ALEXANDER. They are the men who need help. And if you could see their condition as I can, going to and fro through North Carolina, it would appeal to you. If there were any way under Heaven to afford them relief you would find it. They are good people. They have taken their wives and children to help in the making of that crop, not knowing whether they will get a cent out of it or not, because their time bills will consume every bit of that cotton up to at least 8 cents per pound. In some sections I have understood they are actually going out picking cotton for other farmers to get money with which to buy something to eat, because the time merchants have shut down on them. They are having to pick out to get money for something to eat.

Mr. SMITH. Letting their own fields go unpicked?

Dr. ALEXANDER. Letting their own fields go unpicked. That is true in some cases—not to a large extent. They are making threats that if there is not something that promises them more than 8 cents a pound for their own cotton they will not pick it, but I do not hear that very generally. We have a better class of people as a rule than that, but they are neglecting the picking of their crops to the extent of picking for others, but it is a necessity; they have got to do it in order to live.

The CHAIRMAN. The committee is very much obliged to you for speaking.

Mr. ALEXANDER. We appreciate the interest and the attention the committee has given us, but it is a vital question, gentlemen. Our existence is at stake.

Mr. BULKLEY. Do you indorse Mr. Henry's suggestion that if we could take care of these even to the extent of \$30 a bale it would relieve the situation?

Dr. ALEXANDER. I think it would. It would in my State, and, so far as I am personally concerned, if there is opposition to the point of valorization, I think it would be all right to cut that out and leave it with the banks, provided that you require the banks to loan that money only on cotton, tobacco, or some other distressed farm product.

#### STATEMENT OF MR. A. F. THOMAS, OF LYNCHBURG, VA.

Mr. THOMAS. Mr. Chairman and gentlemen of the committee, this is rather a large proposition we are discussing to-day, and in order to get through with it within a reasonable time I shall leave out as much detail as possible.

I want to say in commencing this discussion that unless the Congress is prepared to deal with this question in a large way, that action on the part of Congress, in my judgment, will be futile. It is a question, gentlemen, like building a dam across a river. You may build it partially across, or seven-eighths of the way across, and the water will still escape and no power will be accumulated; but you complete the dam across the stream and then you harness the power and make it effective; so I would regard any action on the part of Congress that only addressed itself to a partial relief of the situation as entirely inadequate and inadvisable.

The situation is not one that affects only the South. It is one that affects the South and every other State in this Union. It takes on a sectional, a national, and an international aspect.

The trouble, it seems to me, is that there is a certain amount of confusion of thought about the actual trouble. It is not, as I see it, a banking trouble. The banks are to-day in a position, without any emergency currency of any sort, to market the crop of cotton if it were current. There would be absolutely no trouble in getting funds to move the cotton crop if the cotton crop would move, but the trouble is, gentlemen, that it does not move. There is no market for cotton and the need of the situation is for a market, not for funds, but for a market for the product itself, for the merchandise itself. That same proposition is true in certain grades of tobacco. While the entire tobacco situation is affected, it is not affected so seriously

as a whole as is cotton. I was for some 20 years in the tobacco business. I think I know something about it. I think I know a good deal about the tobacco business. I do not think that this war should logically affect seriously a large number of grades of bright tobacco, but when you come to the dark tobacco that is sold in Austria and in Hungary, or in Italy or in France, why it looks to me like the market is swept away, and that the solution of the trouble must be to either store those products until the war is over and that demand returns, or sell them upon a speculative basis.

It does not matter what kind of products you have, in time a market will make itself. There will come a time when there will be a market for cotton upon some basis. There will come a time when there will be a market for anything under the sun which has value. It may not be such a market as you gentlemen would like to have. It may not make returns that will pay debts, or very much of your debts, but there will be a market of some kind for everything under the sun that has value. The trouble with the market that is now in the making is that we are headed under the laissez faire method on a market that is based upon a speculative value, and that speculative value, gentlemen of the committee, is made when all doubts on the part of the buyer have been eliminated as to whether it is a safe price or not.

If I were a buyer of cotton I would not buy cotton at 10 cents. I would not buy it at 8 cents. I would not buy it at 6 cents. And if you gentlemen do nothing here, I would not buy much of it at 4 cents, unless you would tell me how long the war is going to last. The reason for that is this: As you increase the risk you decrease the price. It is a law of trade as unalterable and as sure in its action as the law of gravitation. If you put off the time when a thing will likely be used, or if you have a condition of uncertainty as to when the buyer can dispose of it, that buyer will discount the price to overcome those unfavorable conditions, and for that reason you have no market for cotton. Why? Because nobody knows when cotton is going to sell; nobody knows where your buyer is going to come from; nobody knows how long they may have to carry that cotton. Therefore it is not a banking system you need; it is a market you need. You need a market. The banker—no prudent man, no man that you ought to intrust with the funds of other people, would for a moment be willing to loan out his funds, whether emergency currency funds, whether reserve currency, whether gold or silver, upon a collateral that he believed was going to be lower.

That would not be prudent banking; and no banking proposition, no loan proposition from a bank that leaves the risk of that cotton upon the shoulders of the individual buyer, will ever affect the price of cotton materially. The banking system was not gotten up for that. A banking system was not made up to furnish a market. A banking system was properly gotten up for the purpose of passing current credits from place to place. Neither the national banking system nor your reserve banking system was gotten up for an investment scheme. It was not gotten up to build a market for cotton, for corn, for wheat, or for any other material. It is only to deal with the credits of the country and the fluid credits of the country. You did not get your banking system up for any such purpose; you very

properly did not get it up for such purpose. You would have been a banking committee that was a long ways from a safe line if you had gotten up a scheme of that sort and called it a banking system. Therefore your emergency loan proposition, therefore any plan of furnishing currency to any banks to loan to the individuals to carry cotton, is in my judgment not worth the paper it is written on, because it leaves the loss, if any, to the cotton buyer, and he is going to come as near to stealing that cotton as he can. It is the law of commerce. It is one wolf preying upon another if he can not find anything better to eat. We may just as well recognize that. We have to do business on hard and cruel lines. I do not impugn the patriotism of anybody. I do not want to be understood, gentlemen, as raising any question here that the banker is any worse than anybody else. I have met some very nice bankers, very gentlemanly bankers, who have, by the way, done me a good many favors, and I would be an ingrate if I selected that class of people out of all of the balance of human nature to say that they were meaner than anybody else. That would not be true. They are proceeding upon the same incentives and motives that impel the actions of other human beings, and if they are acting in a certain way it is because there is some fundamental reason or incentive that moves them to act that way.

You may take it out of the bankers' hands and go over to your neighbor, the farmer, and I have always thought the farmer was better than other people simply because he did not have the opportunity to be worse. Gentlemen, if you will take your proposition to a farmer who has got a few hundred dollars and ask that farmer to come and put up his money against your cotton at 10 cents per pound, when that farmer's judgment is that cotton is going to 4 cents a pound, he will not do it, and no other sensible man will do it, and ought not to do it.

Under these principles, if the Congress does not come to the rescue of the cotton situation, in my humble judgment the price of cotton will continue to decline until it reaches a basis that would be regarded as absolutely safe from a speculative point of view. If you allow the cotton crop of this country to come down to a speculative basis, you will bankrupt most of the business men of the cotton country and practically all of the farmers. That is my candid and humble judgment. They have made this cotton on a supposed price of about 12 cents a pound. They have bought their hogs and hominy at prices that were in keeping with 12 and 13 cents a pound for cotton, and now if you allow these prices to go down to 4, 5, or 6 cents a pound it means that that farmer can not pay his debts, and it means that the merchant who has trusted him will not be able to pay his debts, and the way to freedom on his part will, in my judgment, be found through the doors of the bankruptcy court.

Coming to your banker. That man rests upon the backs of the merchant and of the farmers. If you take out at one fell swoop one-half of the purchasing power of the whole South it means that your banks are hurt, and hurt badly. I am coming to this proposition, that the banks themselves can not take care of the situation. They are not organized to take care of it. They are not prepared to take care of it, and as prudent business men they ought not to try to take

care of it in the sense of upholding the price of cotton. There is, in my judgment, but one single, solitary force in the United States that can do that thing. There is but one power whose shoulders are broad enough and whose arms are long enough and whose back is strong enough to take the great load and carry it with safety, and that is the United States Government itself.

The principle embodied in the Henry bill will save the situation. I am not now discussing the details of his bill. He himself is in an accommodating spirit as to the details of his bill, and therefore it is not necessary for me, in this formative stage of that bill, to enter into any discussion of the merits of the details of it, except that I want to say that I do not share within the view that he ought to concede too low a price in that bill, because it would defeat, as I shall show you a little later, one of the main objects of the bill itself.

I assume, for the sake of argument, that we will perhaps export 9,000,000 or 10,000,000 bales eventually of this crop. That 10,000,000 bales at 10 cents a pound would be \$500,000,000, I believe. That will make us a credit abroad of \$500,000,000 that is payable in gold. If we, by adopting the laissez faire method, or the failure to do anything, permit the price of that cotton to go to 5 cents per pound, we have simply lost to the United States of America \$250,000,000 in gold. We have simply made a present of that to the farmers all over the earth who buy American cotton. We have taken out of our wealth and poured over into their bins of wealth that immense, vast sum that could, if a feasible plan be gotten up, be kept in the coffers of the people of America.

Now, gentlemen, if an armament were approaching from the Gulf of Mexico and were to land upon that coast and go over it and destroy, or you thought were going to destroy, one-half of \$250,000,000, you would hurry as quickly as the Army and the Navy could do so and spend \$1,000,000,000 to repel those invaders. You would put behind it every single, solitary power of government in order to protect those people against that invasion. What difference does it make to me, if I am the farmer in the southern country and the merchant in the southern country, whether the individual robs me or you allow an economic change to rob me? I am no poorer in the one case than I would be in the other, and it makes absolutely no difference to me, gentlemen, whether you rob me when I am going to the market or whether you rob me when I am coming from the market. The thing I object to is being robbed at all.

The problem, then, as I see it, is to make some provision by which to procure a conservation of price. There is the whole kernel of the proposition. If you can save to that man that made the cotton and to that merchant that trusted the farmer on the basis of 10 or 12 cents—if you can save to them a reasonable price for cotton—you have met the situation. If you do not do that I do not care a straw whether you do anything or not.

And I am very much interested in the cotton situation. I do not raise any of it, but I have a great deal of money tied up in debts that must be paid in cotton, and it does not matter to me at all whether you consider any cotton proposition if you do not put behind it some force that will prevent the robbery of the men who made that cotton; because I rest upon his back, and when you let him sink out of sight I am the next man in course, and I catch it.

That is a cold-blooded, selfish argument. I am not dealing in fine terms. I am trying to lay before this committee the facts of the situation as God gives me to see them.

I wanted to call your attention to this fact: That not only is the Government of the United States the only agency that can get behind this proposition, but it can carry the entire cotton crop indefinitely without the loss of a single, solitary cent of interest. I wanted to say to you that if you put the credit of the United States Government behind that proposition the price of cotton will not fall. The moment you say that there shall be 10-cent cotton, the moment the people learn that the United States Government stands ready to put 10 cents a pound behind that cotton, every single, solitary mill in this country that buys cotton will buy it at 10 cents. They will not buy it for a cent less. Every single, solitary bale of cotton that is sold for export will be sold at a price of 10 cents or better, because they will get no cotton if they do not do it. And in the last analysis, the whole thing amounts to this: The millman will take his quota, the exporter will take what there is a demand for, and the United States Government will have to carry the surplus until times are more propitious for disposing of it. That is the whole proposition.

Now, I assume that that might amount to 5,000,000 bales. I do not think it will amount to more than that, for this reason: I do not expect to see the demand for cotton so terribly reduced as is now supposed. I think that is overestimated. In the first place, hard times make people wear more cotton clothes. The poorer people are the more cotton they wear. In the next place, as I see it, this war will have the result of sending to the mills of America an unprecedented demand for American manufactured cotton. So there will not be such an immense falling off in the demand for cotton as would now appear on the surface.

You see, a large proportion of the cotton that is sent to England goes to Asia and to Africa. A large proportion of the cotton that is sent to Germany finds its outlet in the same countries. Therefore, there will not be that great falling off in the demand that is now expected. But even if the Government has to carry over 5,000,000 bales of cotton—and I do not believe it will have to carry that much—at 10 cents, that would amount to——

Mr. HAYES. \$250,000,000.

Mr. THOMAS. \$250,000,000. Now, gentlemen, the saving that you have effected in the price of your export cotton will more than repay you the entire amount invested in the cotton that has got to be kept at home.

I want the committee to get that. The point I make, Mr. Chairman, is this: If you have to carry 5,000,000 bales of cotton amounting to \$250,000,000, and if you put the Government behind it and maintain a price of 10 cents, the saving to this country will be sufficient to pay for the entire \$250,000,000 as compared with what you would have got if you did not do that. I do not think the Government would be taking any very great risk in doing that kind of thing.

In the second place, the advantage that would come from that would be to stimulate the production of corn, wheat, and other things in the South. A price of 10 cents on cotton, based on the

prices that corn, wheat, and meat are now selling at, is not over 8 cents for cotton last year; certainly not more than that. I do not believe there will be any incentive for the southern farmer to make cotton on a basis of 8 cents.

I do not believe that the Government will have to take any steps to protect itself against overproduction. I believe that the price of bread would be all of the deterrent that you would want to use to keep the farmer from overproducing, and it will bring about, in my judgment, an economic change that would be highly advantageous to the South.

There is no question, gentlemen, of your power to do this thing, and I have not heard anybody raise any question of power. You have a direct grant of power in the Constitution to issue currency, and any method under the sun that you gentlemen may deem proper to carry out that grant of power is constitutional, and so decided by the United States Supreme Court in the National Bank case.

Mr. HAYES. What particular grant do you refer to?

Mr. THOMAS. I refer to the grant of power that permits you to issue currency.

Mr. HAYES. To emit bills of credit, etc.?

Mr. THOMAS. Yes. You have that grant of power, and it matters not how absurd your method may be; no court in this land can even inquire into the necessity for it. Every single member of this committee is, no doubt, familiar with the decisions along that line.

The vital question, then, gentlemen, is not whether you can do it or not. The question that comes up to you is, Will you do it? It is not a question of whether it can be done; it is a question of whether you want it done. There is not a single man in Congress who, I would suppose, would not think that it would be possible to conduct this thing if the Government thought proper to undertake it, if the public policy of it appealed to the Congress. You have solved very much more difficult problems than that. There is no difficulty along the line of doing it. It comes back to the vital proposition, Will you do it? Do you want to do it? Can we count on you to do it? And that involves the public policy of the proposition.

Mr. HAYES. You can add another question there: Is it wise to do it?

Mr. THOMAS. That is involved in the question, Will you do it? Do you want to do it? I do not suppose you would want to do an unwise thing.

Mr. HAYES. We might want to do it, but is it wise?

Mr. THOMAS. I do not assume you would want to do it if it were not wise. I assume the committee would want to do the wise thing and the proper thing.

I have lost the remainder of my notes, so I shall not burden you very much more with my talk. I wanted to say, gentlemen, in conclusion, that I do not altogether agree with the proposition that this is an old question in America. I think it embodies new features. I want to be frank with the committee. I want to do it in justice to myself and in justice to the committee. There are certain new features connected with this proposition that I do not recall having met before. It is certainly an extension of the function of government along lines that have not been pursued before, and that is for



the reason that the great necessity for it never existed before. When it became apparent that private initiative had broken down in international insurance there came down to Washington those who were interested in trans-Atlantic shipments, and they asked the Government to extend its functions, to take on a new function of government and to undertake to furnish insurance that could not be furnished so safely or so well by private agencies. So great was the need at that time that the Congress met that need and passed a bill, and, if I am not misinformed, you have a bureau of insurance that is now doing business. When it was also recognized that there was a supreme need for a merchant marine to carry the exports away from the wharves of this country, that they were piling up and becoming congested there, if I mistake not the Democratic administration lent a favorable ear to the proposition. Whether progress has been made on the bill I am not advised, but personally I was glad to see both things done, because they meet a need—

Mr. HENRY. Mr. Chairman, will the gentleman permit me to interrupt him to state the status of that measure?

Mr. THOMAS. I thank you.

Mr. HENRY. The bill providing for the purchase of ships has been reported by the Committee on the Merchant Marine, and is now pending in the House. The Committee on Rules will be assembled to-morrow to consider a special rule introduced by Judge Alexander of Missouri, and I apprehend—without pretending to speak for the committee—that the rule will be favorably reported and that the House will consider the bill.

Mr. THOMAS. I thank the gentleman from Texas for the information.

I am making this point, Mr. Chairman: That when a great public necessity arises, when private initiative fails to meet the need of the people and fails to furnish a convenient and serviceable way, and when the United States Government can be invoked to protect the people against a great disaster, when it can perform a service that can not be performed by any one else, when it can put behind a proposition an immense strength and power that can not be obtained from any other source under the sun, it becomes the holy duty of the man who represent the people of this country to get behind the proposition and give them that assistance and protection.

In my view of the case, gentlemen, I do not believe—without impugning anyone's action or dealing with anyone's motive—that you have any moral right to come here as representatives of this great country of ours and see the people of this country needing protection when the Government can furnish it, and refuse to do so.

What, in the name of God, did you make a Government for? Is it a thing to be looked at? Is it a thing to be worshiped? Is it a thing made for any other purpose under the sun than a service to the people who own that Government. The old idea of "*L'état, c'est moi!*" is out of date. It might have done for Louis XIV in France to have said that and believed it. It may be all right, perhaps, for others to associate themselves with the idea of the divine right to rule. We are neutral, and I can not be more specific, but that idea in America has received its death blow, and this great Government of ours rests upon a foundation of capacity and willingness to serve the people of these United States. [Applause.]

And you may ask me to what limit would I carry that? Mr. Chairman and gentlemen of the committee, I would let efficiency be the line. Whenever you can do better for me than I can do for myself, for the Lord's sake, get busy and do it. That is no loss of independence on my part. If I walk down to the railroad station and get on the train and ride home, what boot is it to me who owns the railroad? I am just as dependent on the agency, it matters not who owns and operates the road. The dependence of the individual upon the Government arises not out of the form of government but out of the complexity of society. And if I ride along the road and have my horse shod in the shop, whether it is an individual shop, a corporation shop, or a Government shop, I am just as dependent on one of them for a horseshoe as I am on the other.

I would not carry this any further than the public need for it was demonstrated. I would not carry that principle any further than I would carry it in my private life. I do the thing that I think is best, and you gentlemen who legislate, you legislate on identically that same principle or you are wrong. You have no right to do the thing that ought not to be done; you have no right to refrain from doing the thing that ought to be done.

Mr. HAYES. But it is up to us to judge.

Mr. THOMAS. Unquestionably, sir. I am not undertaking to judge for any man. I am only laying down a principle that I believe you—whatever your position on this question may be—will admit is sound. It is not my province to judge for any member of this committee or for the Congress, but to present to you as I see it the principle underlying this proposition, and to put it up to you and your conscience and your duty to those who sent you here.

I thank you, gentlemen, for your attention. [Applause.]

Mr. BARRETT. Mr. Chairman, will you hear Mr. Heflin about five minutes?

Mr. HEFLIN. Mr. Chairman, I desire to be heard about 10 minutes on a bill which I have introduced.

Mr. LINDBERGH. May I ask the gentleman who just sat down a couple of questions?

Mr. THOMAS. Yes, sir.

Mr. LINDBERGH. How long can you keep cotton without injuring it?

Mr. THOMAS. Indefinitely, sir, I am informed.

Mr. LINDBERGH. What about tobacco?

Mr. THOMAS. Tobacco is a different proposition and must be handled differently. I am perfectly familiar with the tobacco situation. Tobacco can be kept, but the present bill would not meet the case. Chairman Glass introduced for the farmers' union a tobacco bill here sometime ago, which would, in my judgment, meet the situation. It is a very much more radical bill than this, and the tobacco situation requires a more radical treatment.

Mr. HAYES. In the early history of this country they kept tobacco, for they used it for currency.

Mr. THOMAS. Yes, sir; it is possible to keep it, but it has to go through a very complex process. It can be handled, but not in the same way as cotton.

Mr. SMITH. If you put it through this process, how long will it keep?

Mr. THOMAS. When I was in the tobacco business I sometimes, unfortunately, had to keep it four or five years, but I did not want to do it. It can be done.

Mr. WILSON. Mr. Thomas, would you apply the general principles of this bill to lumber and naval stores?

Mr. THOMAS. I would not. In my judgment, that could not be successfully put through. The principle is all right, but the practicability of it will vary with the subject.

Mr. WILSON. Lumber and naval stores would be practicable subjects, would they not?

Mr. THOMAS. I would not—if you ask my opinion—be favorable to the Government undertaking to do a thing that would wind up badly. As a business man my schooling is all against it.

#### STATEMENT OF HON. J. T. HEFLIN, A MEMBER OF CONGRESS FROM ALABAMA.

The CHAIRMAN. We will hear Representative Heflin. Some members of the committee exact the condition that you speak in the form of anecdote. [Laughter.]

Mr. HEFLIN. This is too serious a question, Mr. Chairman, for anecdote.

Mr. WINGO. Mr. Chairman, I would like to have Mr. Heflin elucidate his plan.

Mr. HEFLIN. I will tell a story, since the chairman requests it.

The farmers had assembled in Atlanta and were discussing the rate of interest being charged and ways and means to secure money with which to move the cotton crop. One gentleman in the course of his remarks said, "They charge us 12 per cent, they charge us 10 per cent, and call money in New York is 4 per cent." He said, "Do you get that? Call money in New York, 4 per cent." And one old fellow arose and said, "By golly, I call." [Laughter.]

The CHAIRMAN. That is not the information that we received. we understood that the incident occurred in Alabama instead of Georgia, and that the fellow said, "Tom, I call you." [Laughter.]

Mr. HEFLIN. They are calling in Alabama and Georgia, too, and in all the other States the cotton producers are calling for relief from conditions that oppress them, and I think they are entitled to it.

I am a pioneer in this movement, Mr. Chairman. I introduced a bill requiring the loan of money through the banks directly to the farmer. I will file my bill, with your permission:

[H. R. 18522, Sixty-third Congress, second session.]

A BILL To require the issuance of an emergency currency and to loan the same to the cotton producers of the United States upon properly authenticated cotton warehouse receipts.

Whereas the conditions created in the cotton business of the United States by the European war have closed the markets of Europe to nearly two-thirds of the cotton crop of the United States; and

Whereas the producer is confronted by conditions which will bring demoralization to his business and cause the sacrifice of his property and the suffering of his family, unless the Government grants him speedy relief; and

Whereas it is the duty of the Government of the United States under the general welfare clause of the Constitution to prevent the suffering and

misery of this great class of producers and protect them in their right to enjoy the fruits of their labor and industry: Therefore

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this act shall be known as the emergency cotton currency act, because the occasion for its enactment is made necessary and imperative on account of conditions created by the European war.

SEC. 2. That the Secretary of the Treasury be, and he is hereby, empowered and directed to issue or cause to be issued in the name of the Government of the United States at the earliest day possible an emergency currency to be known and designated as the emergency cotton currency of the United States.

SEC. 3. That the purpose of the issuance of this emergency currency is to aid the cotton producers of the United States in holding their cotton so as to prevent the sacrifice of the same at destructive prices.

SEC. 4. That in order that the producer may be immediately aided and directly benefited by the use of the emergency cotton currency herein named, the Secretary of the Treasury is authorized and directed to loan from and out of said fund directly to the cotton producer the amount of \$45 per bale upon the duly authenticated cotton warehouse receipt when presented to the proper authority by him or his duly authorized agent.

SEC. 5. That the Secretary of the Treasury shall hold said cotton warehouse receipts until final settlement is had with the producer.

SEC. 6. That it shall be the duty of the Secretary of the Treasury to prescribe rules and regulations by which the keeping and loaning of this money shall be conducted in the local cotton markets of the South and to designate the kind of storage places or warehouses to be used in housing the cotton upon which loans are to be made.

SEC. 7. That the rate of interest to be charged for money loaned upon cotton warehouse receipts and the time for the payment of said loans and the day for calling in and canceling the emergency cotton currency shall be fixed and determined by the Secretary of the Treasury, the Secretary of Agriculture, and the Attorney General of the United States, by and with the advice and consent of the President of the United States.

Mr. WINGO. What is the number of that bill?

Mr. HEFLIN. H. R. 18522.

Mr. WINGO. What is the date of it?

Mr. HEFLIN. August 25, 1914.

Mr. WINGO. Is that a resolution or a bill?

Mr. HEFLIN. It is a bill. I introduced the preamble, gentlemen, for the purpose of setting forth the reasons for the passage of a bill of this kind at this time.

Now, I have another bill, which has been referred to the Ways and Means Committee, requiring the Government to purchase 4,000,000 bales of cotton and to hold it. My purpose in this was to tie up 4,000,000 bales and take it off the market—not all at once, but to buy it within six months.

Mr. WEAVER. At what price?

Mr. HEFLIN. At 12 cents; the Government being in the market all through the selling season helping to hold up the price of cotton.

Now, then, those who did not want to sell could come in under this other bill and borrow on their warehouse receipts. Thus by these two measures we would have 4,000,000 bales outright to be bought, and the farmers would be tied up with the Government on the other cotton.

Cotton has sold above 12 cents a pound for five years. The spinner expected to pay more this year. The manufacturer has already sold his goods to be manufactured out of this cotton at a figure above 12 cents a pound. Cotton having brought 12 cents a pound for five years, I think the Government would be safe in purchasing 4,000,000 bales, and then lending 9 cents a pound on the remainder of the crop—3 cents a pound below the market price for the last five years.

Then what would be the situation? The farmer would say, "I am going to borrow 9 cents a pound on all this cotton, \$45 on the bale. I will not plant but little next year. I will get more out of this cotton that I have tied up than I would get by planting a big crop and bringing it in and dumping it on the market." And for that reason the farmer will not plant a big crop next year. I am in favor of this, Mr. Chairman, and every farmer in my district would sanction this statement.

If I were governor of my State, I would call the legislature together immediately and pass a law cutting down the acreage one-half in my State by a State law—not by the exercise of the Federal taxing power—and I would call upon every other State in the South to do the same thing and cut the acreage in half.

That is not against the farmer. If he did not make but 7,000,000 bales in 1915 he would get more for it than for a 15,000,000-bale crop, and at the same time he would be helping the Government to carry this burden. The Government would not lose \$1 of this amount; but if it should lose—if the Government should lose every dollar of it, it ought to go to the rescue of this great producing class at this time. And it will take less money than we have expended on the Philippine Islands since we have had those islands.

But we would not lose that money. Mr. Chairman, a government that will go to the relief of people when they are in distress on account of flood, a government that will go to the relief of people who are in distress on account of fire, a government that will go to the aid of people who are in distress on account of earthquake, as they did in the home of my good friend from California—and I voted for the bill—should be ready to go to the aid of its people who are facing disaster by reason of a foreign war. When fire swept Salem, Mass., the people were crying and shivering up there. I voted for a bill to give them relief, and some people said they were trying to get their hands in the pockets of the Government. But here are a people in the grip of war coming into a market where they have for five years sold their product at above 12 cents, who have paid over \$250 for mules and a high price for everything else that has entered into the production of the crop, who have produced a crop that has cost more per pound than any crop they have ever made, and now ask the Government to go to their rescue; and I can not understand the philosophy of that Government nor the logic of its position when it will not lend a helping hand to those people in distress in a time like this.

Mr. Chairman, agriculture is the cornerstone upon which all other industries rest, and cotton is the only product in all agriculture every pound of which is converted into money and every dollar's worth of which contributes to the financial wealth of the United States. Here we have a product that no insect pest can harm when it is ginned. No climatic conditions can affect it. No tooth of time can destroy it. You can preserve it for hundreds of years, and it will be just as good for spinning purposes as the day it was stored.

What are we confronted with? We are confronted with this condition: The Government says to the banks, "You can deposit this money at a certain rate of interest, and we are going to let you have it to relieve this situation." What do some of these bankers do?

They say, "I believe here is a chance to get rich. I believe I can make more money out of buying it at 6 cents and holding it and selling it for 12 cents than I can by lending money on it." And he shuts his doors.

Then what is our remedy? The Government has already let him have money. On what basis? Upon merchantable paper, the spirit and life of which is cotton. Then if he refuses to relieve the cotton producer, what is the producer to do? He waves the banker aside who wants to speculate on his cotton and get rich out of it, and he comes directly to the Government, and he says, "If that merchantable paper is good which is based on cotton transactions, why is not the thing itself, which brings gold here when all other products fail, good just one time? If you lend money to these people on this merchantable paper at all times, if your merchantable paper is good at the Federal Treasury at all times under normal conditions, why not in the case of an emergency base it on the cotton itself one time and give relief to the producers of the South?"

That is the condition we are up against, Mr. Chairman. Now, just a word of comment on this ship proposition.

Here is the wide ocean between us and a market. Here are some of our producers with products. There is a market for them over there. The Government says, "You can not get to them, but we are going to furnish you the vehicles by which you can reach the market." What does it do? It buys ships itself to bridge the chasm, to take the product to the market place.

What else? The insurance companies say, "We can not take the hazard of insuring the cargo." Then the Government says, "In order that you may reach the market I will insure your cargo." And they are taking to the markets of Europe a product that is in demand and refraining from giving aid to a product the market for which is closed temporarily.

Suppose we did not furnish the ships, and grains were in demand over yonder, and the grain dealer could not get to the market and there was no demand for cotton. The cotton man could not get to the market. It would not do him any good if he could. They are both in the same boat. The grain man says, "I have got the grain, but I can not reach the market." The cotton man says, "I have the cotton, but there is no market at present. Then the Government says to the man with the grain, "There is a demand for your produce, and here are the vehicles to carry your produce to the market. Will that same Government turn to another farmer who produces a different staple and who cries for aid, and decline to give him aid?"

Gentlemen, it is not just, it is not fair, and I do not believe this Government will be guilty of that conduct. I do not think that. I think that what we are asking here is perfectly right. I think it is just. I think it is sound. If this Government does not come to our aid it will take the South 10 years to recover from the demoralizing conditions that this war is producing.

Gentlemen, think of it. Cotton that sold for \$65 a bale is now going for \$30 in the market place. Think of the condition that will confront us the 1st of October, when the debts are due, and the merchant says, "I have got to have some money." The farmer says, "Here is a bale of cotton. Last year you gave me \$65 for it." The

merchant says, "I must have the money. They are pressing me, and I have got to press you." The farmer says, "That will just pay you \$30 on what I owe you, and last year it paid you \$65."

Gentlemen, they are ruined unless they can get this aid, and I simply wanted to come here and give you, briefly, some facts on the situation. I heartily indorse legislation that will come to the relief of these people now. If the banks will not let them have this money, where else are they to go but to this great Government? If we can aid a few men interested in the shipping business and with people whose produce is in demand, how much more ought this Government to come to the relief of 30,000,000 of people interested in an industry where a billion dollars is tied up and there is no market?

I thank you, gentlemen. [Applause.]

Mr. ALEXANDER. Mr. Chairman, there is one point that I overlooked a few minutes ago which ought to appeal to some members from the Middle West. If we are unable to get more than 5 or 6 cents for our cotton we will not be able to buy even a little plug mule from Ohio or any other part of the Middle West, nor will we be able to buy their food products.

Another point is the effect of the valorization of cotton if you pass this bill fixing it at 10 cents. I talked with a speculator the other day and told him the provisions of the Henry bill, which was for the Government to buy cotton at 12 cents a pound, and asked him what he thought about it. He said, "It is the very thing to do. We are all at sea. We do not know what cotton is going to bring." And he says the mills are loaded up with cotton-mill products that they spun from cotton they had paid 14 cents for. He says if the Government will put a valorization on cotton at 12 cents it will at once bring up the mill products, and that will affect all New England, too, and it will be a godsend to the mills, too, if the Government will do it. That is a point I think you ought to consider.

Mr. SMITH. Mr. Chairman, I move we adjourn.

Mr. HENRY. There are several other gentlemen who wish to be heard. Would it inconvenience the committee to go ahead to-morrow morning for a little while? I myself can not be present, but there are some views we want to present.

(Here ensued an informal discussion as to the time of the next meeting.)

#### STATEMENT OF HON. EARL BREWER, GOVERNOR OF MISSISSIPPI.

Gov. BREWER. Mr. Chairman, I had no idea of undertaking to make a speech. After listening to the flow of oratory we have had I am forcibly reminded of a story that was once told by an old gentleman in the Mississippi Senate. After a bill had been under discussion for a whole day something was said about there being too much discussion, but nothing was done. He said it reminded him of an old farmer who went out to shear a sow. They asked him how he came out, and he replied that she made a great deal of fuss but he got very little wool. [Laughter.]

I have attended several meetings of people interested in the South who were trying to achieve some plan whereby we might be able to increase the price of this cotton crop and prevent its being slaugh-

tered on a war market. It occurs to me that the arrangement made by the Secretary of the Treasury whereby this currency was placed at the disposal of the national banks of the States to finance the crop would not reach the situation, and that perhaps something might be done by Congress that would relieve it.

I have been told that we could do something in the State governments. I have looked the situation over thoroughly, discussed it with a number of practical business men, and I do not see anything to be accomplished by the States calling the legislatures in session. Gov. Colquitt, of Texas, and other governors have urged me to call the Legislature of Mississippi together that we might accomplish something, but looking it squarely in the face as a practical business man I do not see much to be gained by it.

But it occurred to me that Congress is in session, and that it should be the desire of every reasonable Member of Congress to help relieve this situation, if it can be done reasonably, and it occurs to me that it is perfectly reasonable and perfectly practicable to relieve the situation to a very great extent. I am not one of those who believe that the whole cotton crop will "go to the demnition bow-wows" for a long time. I think the war situation will clear up after a while and the demoralization will cease and reason resume its sway; but while this demoralization is on I believe that Congress can, in a perfectly proper way, relieve the situation to a very great extent.

In the first place, we have met in Mississippi, and we have discussed this business, and we find the bankers of the State, as a general proposition, in thorough accord and ready to help us to hold this cotton off the market if possible and prevent its being sacrificed at war prices. But this they are not able to do. You go to a bank and say to them, "I have 2,000 bales of cotton here. I want to hold this cotton. I do not want to put it on the market now at this price." "Well," they say, "we are not in a position to lend you money for an indefinite time." In addition to that the banks of the country are attending to commercial business and are organized for that purpose, and their loans must necessarily be short.

I find, for instance, in the general make-up of affairs in the country that the banks are not organized for the benefit of the agricultural interests of the country, and necessarily something is going to have to be done in the future on the subject of rural credits. To begin with, I take it that the average farmer is like myself. In beginning the planting business we had to go in and buy land on credit. In order to obtain lands to make a crop it was necessary to mortgage everything, from our children down, to a commission merchant. Later on we succeeded in getting arrangements at our State banks whereby we would borrow this money at a lower rate of interest than we could from the commission merchants and be more independent.

But a great many people are involved, as stated by one of the speakers here to-day, in the making of this crop. They have had to borrow money. The crop has been an expensive one. Mules are high. Foodstuff is high for both man and beast. The result is it has cost us 8 cents a pound, in my judgment, to make this crop. Now, having made the crop, and having this extremely wet season come on us in Mississippi, which cut the crop nearly half in two,



and then having the war cut the price in two, we find ourselves in a state of about 25 per cent prosperity.

Now, let us see what can be done. If the farmer is permitted to go anywhere and borrow \$30 a bale on this cotton properly warehoused, in my judgment, it will relieve the situation, provided his loan is long enough to enable him to cope with this war situation. To lend a farmer money for 90 days with the understanding that at the expiration of the 90 days the loan is to be called, is just simply putting him in the hole where there is no hope for his recovering.

Let us then suggest another plan. Suppose there was a resolution passed through Congress fixing a certain amount of the emergency currency, issued by the Federal Government, that might be loaned to the farmers and the men who produced the cotton, that is should be loaned at a rate of interest fixed by the Federal Government—that rate of interest not to exceed, say, 6 per cent—and that the loan might be renewed for a year at his request. It occurs to me that before that time had expired the necessity for the loan would have been over, the cotton sold, and the money paid back.

Under the present system, which lends to the bank the emergency currency at 2 per cent, the banker takes it and does the most practical thing with it—as you or I would do. He simply takes it and uses it to have his bills discounted and loans money to the farmer as a result of it at 8 or 10 per cent, and, then, his loan is confined to 3 months or 90 days. They loan for 30, 60, or 90 days. The emergency currency, I understand, extends for 4 months only and the bank would say, "We must have at least 30 days, or 15 days, in which to liquidate, to make the loans and to collect the loans. The result of it is, Mr. Farmer, that 90 days or 100 days would be as long as we could lend it to you."

So if Congress can, being in session and having this distressed war situation to deal with—not a general economic condition, but a distressed condition—desiring to do something for the benefit of this section of the country that would bring the relief, why can not the arrangement be made?

You may require that the farmer before he obtains the loan shall have his cotton insured against loss or damage by fire, floods, or other causes. Then if you are lending money on it away below the cost of production it is necessarily a safe loan. There can not be a loss on that. You may lend money on commercial paper indorsed by two men or more. That is valuable, and they are arranging now for that kind of loan. But the sureties may be come insolvent in a day. There is more risk to that than there is about lending money on warehouse certificates where the cotton is insured and the insurance transferred to the bank. All over the South the banks for years have done business lending money on cotton-warehouse receipts. They have done a safe business with it. No bank has ever lost money in the United States on that proposition. It is considered an absolutely first-class loan in the South. All the State banks in the country are lending money on warehouse certificates, and simply with the ordinary protection of the cotton from loss by fire. But you may make it stronger than that; you may require that it shall be protected against every casualty, so that it is dead certainly there—

Mr. RAGSDALE. And in the insurance that they take against fire, unlike their present system, they can insure it for its full value.

Gov. BREWER. Yes, exactly; and not only from fire but from any other causes.

That is a perfectly good security, and if you are not loaning anything like the cost of production, necessarily you have got an absolutely safe security. It occurs to me that, Congress being in session, this could be done and done in a practical way, and that it would relieve the situation. But, first of all, you have to arrange it so that the bank must let him have the money if he comes with that collateral. You must arrange then and dictate the rate of interest and the length of the loan. If you give the farmer \$30 a bale on his cotton—and that is away below the cost of production—and if you give it to him for 12 months, or for 90 days with the right to renew it for 12 months or until he sells the cotton, you will relieve the situation to a very great extent.

I thank you, gentlemen, for your attention. [Applause.]

The CHAIRMAN. Gentlemen, that ends the hearing. The committee will stand adjourned.

(Thereupon, at 5.45 o'clock p. m., the committee adjourned.)







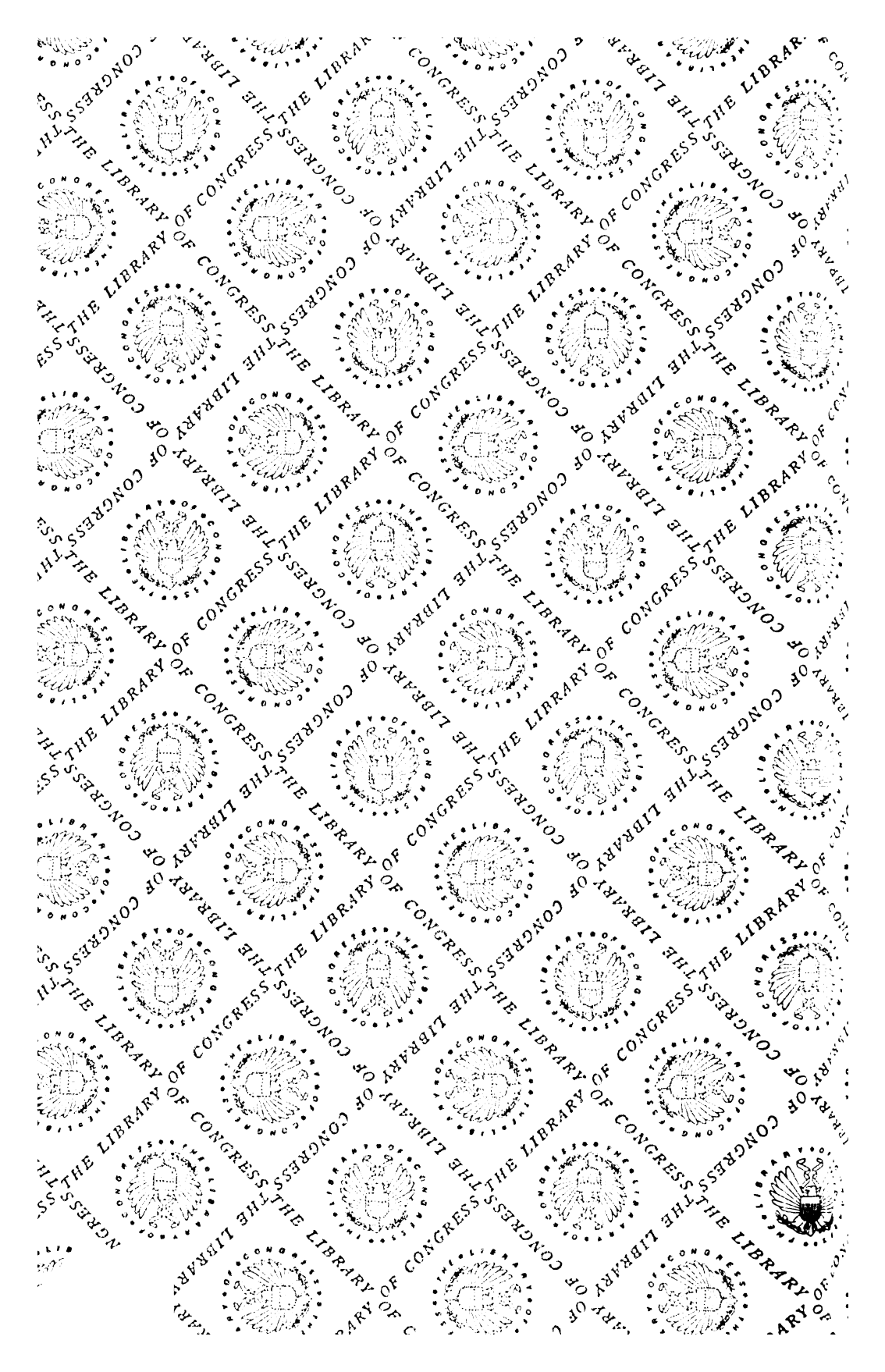
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